Austria ... Sch 18	Indonesia ... Rp 2500	Portugal ... Esc 80
Bahrain ... Din 0.650	Italy ... L 1200	S Arabia ... Rls 6.00
Belgium ... Fr 38	Japan ... Y650	Singapore ... S$4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain ... Pta 100
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... £L 6.00	Sweden ... Skr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 38	Switzerland ... SFr 2.00
Finland ... Fmk 5.50	Malaysia ... Rm 4.75	Taiwan ... NT $35
France ... Fr 8.00	Mexico ... Pes 300	Tunisia ... Din 0.650
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 180
Greece ... Dr 60	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr 8.00	U.S.A. ... $1.50
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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New friends jump on the Ecu bandwagon, Page 16

NEWS SUMMARY

GENERAL

Weapons talks 'may take 4 years'

President Ronald Reagan's national security adviser, Mr Robert McFarlane, warned that it could take the whole of Mr Reagan's second term of office to reach acceptable arms control agreements with the Soviet Union. A new round of negotiations is due to begin in January.

Mr McFarlane denied reports that the U.S. was considering a moratorium on the Nato deployment of American cruise and Pershing II missiles in Western Europe to give the talks a good start.

Such a moratorium, when the Soviet Union already held a ten-to-one advantage in intermediate range missiles in Europe would probably "pull the rug out from any hope of arms control," he said. Page 3

Hijack demand

Three hijackers threatened to execute 20 Somali government officials in an airliner held at Addis Ababa unless 20 "political prisoners" were released by the Somali authorities.

Beagle tension

Tension surrounded voting in the referendum on the Beagle Channel dispute amid reports of assassination plots against President Raul Alfonsin of Argentina and an outbreak of violence between rival political groupings. Page 3

Sri Lanka appeal

Sri Lanka's air force called for volunteers to combat further Tamil separatist attacks as a curfew was reimposed in northern districts.

Embassy bombed

A left wing urban guerilla group FP-25, claimed responsibility for the bomb attack on the U.S. embassy in Lisbon.

Chinese threat

The Chinese Communist Party threatened jail terms for wayward members as part of a renewed effort in its three-year campaign to reform its ranks. Page 2

Red Cross attacked

Iran published documents which it said supported its accusation against the International Red Cross of espionage and of violating its traditional neutrality.

Arafat pressured

Yassir Arafat, chairman of the Palestine Liberation Organisation, is coming under mounting pressure to reject the offer by King Hussein of Jordan to work together for Middle East peace. Page 2

Franco parade

Thousands of right-wing Spaniards took to the streets of Madrid to commemorate the ninth anniversary of the death of Franco. Page 3

Chernenko for Paris

Soviet President Konstantin Chernenko will make an official visit to France next year, President François Mitterrand said in a television interview before a three-day visit to Syria

Hong Kong poll

A survey of attitudes to the Sino-British agreement on Hong Kong's future after 1997 shows that most people find the agreement acceptable, but worries persist about China's intentions. Page 2

Marcos isolated

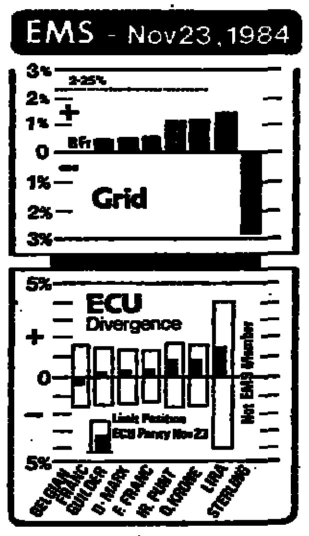
Philippines's President Ferdinand Marcos, who disappeared from public view more than 10 days ago, was in isolation in a specially sanitised guest house at the Malacanang Palace in Manila, after his doctor discovered signs of influenza.

BUSINESS

Iran may share in N. Sea output

IRAN may soon have a half share in a producing North Sea oilfield. British Petroleum is considering the development of an oil find in North Sea block 15/13, which it and the National Iranian Oil Company share equally. Page 18

THE BELGIAN franc continued to improve within the European Monetary System last week but remained the weakest currency. Once again trading was influenced by the performance of the U.S. dollar, which showed a firmer trend against the D-Mark. Despite a half point cut in the U.S. discount rate, there was little speculation on the possibility of European central banks reducing their own discount rates. The Danish krone slipped from second place in the middle of the week, influenced by increasing pressure on the ruling minority Government.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO stocks advanced in moderate trading on Saturday, taking the Nikkei-Dow market average up 29.70 to 11,237.40. Page 28

AUSTRALIA'S decision to open its banking market to foreign competition resulted in 42 applications for new licences from domestic and foreign interests, according to Mr Paul Keating, the Finance Minister. Page 21

BANK OF IRELAND'S new governor is to be Professor Louden Ryan, who holds the chair of political economy at Trinity College, Dublin. Page 21

PLASTICS prices have fallen markedly in the last two months, prompting fears that a European price cutting war may be under way. Page 14

LONDON STOCK Exchange has issued draft proposals for dealing with potential conflicts of interest in the securities market, in a bid to prevent abuses. Page 12

FIAT AUTO UK turned from a 1982 loss of £4.3m ($5.2m) to £8.68m net profit last year. Page 13

JOHN FAIRFAX, the Australian media group, is to make a one-for-six scrip issue next month to compensate shareholders for the refusal of the Sydney Stock Exchange to list a proposed preference share rights issue. Page 21

SCHERING, the West German chemicals concern, expects record 1984 profits with net earnings climbing by 50 per cent from the DM 80m ($26.4m) seen in 1983, according to Mr Klaus Pohle, a member of the managing board. Page 21

BRITISH NUCLEAR Fuels chairman Con Allday says he would welcome the sale of up to 49 per cent of the group's shares within the next year to 18 months. Page 12

Worldwide rush for shares in British Telecom

BY OUR FINANCIAL AND FOREIGN STAFF

INVESTORS ranging from Japanese housewives to U.S. financial institutions rushed over the weekend to get in their applications for British Telecom shares before Wednesday morning's deadline.

Officials co-ordinating the £3.9bn ($4.8bn) offer for sale of just over 3bn shares say the issues should be comfortably over-subscribed. UK and some European continental institutional investors have been allotted 47 per cent of the shares on offer, while another 39 per cent – 1.17bn shares – has been set aside for BT employees and the general public. The 415m remaining shares, 14 per cent of the total, are being sold in the U.S., Canada and Japan.

The first indications last night were that well over 600,000 application forms for the £1.5bn worth of shares available to the British public and BT workers had arrived at the offices of the six banks handling the offer.

A small number of application forms had been filled in incorrectly, despite the extensive market research which Kleinwort Benson, the merchant bank advising the Government, had conducted before designing the BT prospectus.

Ten per cent of the total issue, or 300m shares, is available to U.S. investors in the form of 30m American Depositary Receipts (ADRs). According to some Wall Street estimates, the institutional "book" of bids for the issue already totals about 100m ADRs. Private investors are estimated by some observers to have offered to buy another 15m to 20m ADRs.

Retail demand has been spurred by a unique unit trust set up by Merrill Lynch and Morgan Stanley to help to offset any currency risk inherent in the offering. Their International Income Fund aims to protect investors against any exchange rate movements during the 17-month instalment payment period.

While the final allocation between U.S. retail and institutional investors is uncertain, it is becoming increasingly clear on Wall Street that the U.S. portion of the offer could be four times over-subscribed.

U.S. institutional investors in particular see the issue as "an opportunity to get in on capitalism on the ground floor," says Jefferies & Company, the institutional equity dealer. Merrill Lynch, meanwhile, has mounted a major effort to market BT shares by telephone.

Small investors are out in force in Japan, which has been allocated 6 per cent of the total issue, 180m BT shares. They are widely expected to swallow between 70 and 80 per cent of the Japanese allocation.

Japanese investors were reportedly worried by the British Labour Party's promises to renationalise BT, but interest took off last week after newspaper reports of an anticipated over-subscription by UK investors.

"If you are relaxed, we are relaxed," said Mr Zeno Nakajima of Nomura Securities, lead manager of the 63-company syndicate underwriting the BT issue. "We are simply following what most people believe in Britain."

Nomura is directing a major BT marketing effort to housewives, who reputedly control most families' finances and are frequently singled out in advertisements for investment schemes.

Private investors in West Ger-

Continued on Page 18

Gatt is threatened by North-South tension and non-tariff barriers

BY CHRISTIAN TYLER, WORLD TRADE EDITOR, IN GENEVA

FEARS are growing that the General Agreement on Tariffs and Trade (Gatt) could start to disintegrate if the North-South conflict cannot be resolved.

The 90 member nations of Gatt, beginning their annual meeting in Geneva today, have to decide whether the time is ripe for an assault on proliferating non-tariff barriers to trade that threaten to strangle the entire system.

Ministers and officials were making last-minute efforts over the weekend to tie up a package of recommendations for the meeting, as tension between North and South came alarmingly to the surface.

The U.S. team worked hard to force on to the agenda a number of trade topics which it believed to be central to the future of the multilateral trading system established after the Second World War.

The two most troublesome topics have been how to liberalise trade in services and how to stamp out counterfeiting. If the North-South conflict cannot be resolved, not only is another round of negotiations to reduce tariffs unlikely, but a question mark is placed over the future of the General Agreement itself.

The U.S., the biggest and most impatient of the signatories, is warning that without immediate visible progress in Gatt on the subjects that interest America, the U.S. Congress might not even authorise trade negotiators to enter a new round. The distant threat is that the U.S. might by-pass the Gatt entirely and push ahead with a series of bilateral trade agreements.

On the question of liberalising trade in services the U.S. Administration is being prodded by a powerful lobby of banking, insurance and other companies, led by American Express. It has strong support from the UK and approval from Japan. But the developing countries, especially India and Brazil, have been fighting hard to keep trade in services off the agenda entirely.

In the row about counterfeit goods the U.S. has been joined by the EEC in demanding more formal Gatt investigation, but developing countries argue that is a matter for another institution altogether, the World Property Organisation, a specialised agency of the UN.

There are other North-South issues below the surface. One of the most important is what is called "graduation" or the rate at which the industrialising countries, such as Brazil and South Korea, should be expected to take on the full obligations of Gatt membership. The developing countries, already aggrieved by recent protectionist actions in the U.S. and Europe, suspect they are to be bullied once again. One mark of its political sensitivity is that graduation is being given the more neutral name of "integration."

The emergence of a North-South axis in the Gatt is seen by some officials as particularly unfortunate. For all the disputation and arm twisting that goes on throughout the year in Geneva, the Gatt has traditionally been a pragmatic rather than political forum.

Things could have been a lot worse, however, if it had not been for real progress in another controversial area – agriculture. The basis for negotiation to eliminate export subsidies, imports restrictions and technical barriers to trade in farm produce was agreed 10 days ago and will be presented to the annual meeting this week.

The importance of that consensus is not only that it suggests a state of truce but that it provides a hook upon which other agreements can be hung as well as a call for real negotiations next year or in 1986.

This week's meeting is to review the two-year programme of subcommittee work on difficult issues unresolved at the 1982 annual meeting, when Gatt ministers came together for the first time in 10 years. Agriculture was one of those issues, and services another.

The programme has also covered quantitative import restrictions and other non-tariff measures on which some accord has been reached, trade in counterfeit goods and an attempt, unsuccessful so far, to see how the rules relating to temporary protection from imports for threatened industries ("the safeguards" clause) might be tightened.

There is also unfinished business on textiles and clothing. The Gatt secretariat has produced a study of the Multifibre Arrangement (MFA) which controls most of the trade in textiles, implying that the Arrangement is ripe for dismantling.

Officials this week are in no position themselves to launch a new round of negotiations. That would have to be done at the political level, starting perhaps with the economic summit of the seven richest nations in April next year. A special annual meeting of the Gatt countries could be convened shortly afterwards.

Gulf states set to form rapid deployment unit

BY KATHLEEN EVANS IN DUBAI

THE GULF states are expected to decide on the formation of their own rapid deployment force and a joint military command at a meeting of the Gulf Co-operation Council due to start tomorrow in Kuwait.

They may also decide to co-ordinate their purchases of new fighter aircraft, setting off what promises to be another fierce competition for a large Middle East arms contract.

The council consists of Saudi Arabia, Oman, Bahrain, the United Arab Emirates, Kuwait and Qatar.

Western diplomats in Kuwait say that the Gulf defence ministers laid the groundwork for establishment of a rapid deployment force at a meeting earlier this year in Abha, Saudi Arabia.

It is not clear how the joint military command will work in practice, but diplomats speculate that it is more likely to apply to the rapid deployment force alone than to the council's armies.

The force would embrace about 2,000 to 3,000 men and would be stationed in Saudi Arabia with a senior Saudi officer in command, although some countries have been pushing for a rotation of the commander.

The Gulf leaders are also expected to discuss the establishment of their own arms industry. Initially, it would aim at producing guns, tanks and ammunition and would be based in Saudi Arabia.

This prospect is understood to have prompted last week's visit to Saudi Arabia by a team from Brazil's state-owned arms manufacturing company.

Expectations of another $1.2bn order for military aircraft has also excited intense competition. Until now the Gulf council has made little progress in co-ordinating arms purchases, the choice of suppliers being regarded as an internal political decision for each state.

Britain is in danger of losing a Saudi contract for as many as 60 Anglo-German-Italian Tornado combat aircraft to France. The French are understood to have offered a more tempting deal for the Mirage 2000. Page 18

Now, however, the Gulf states are understood to be closer to co-operating on the next generation of combat aircraft.

A team from Dassault, the French aircraft manufacturer, was in Kuwait last week and the French recently concluded an agreement to sell 18 Mirage 2000s to the UAE.

Mr Michael Heseltine, Britain's Defence Minister, was in Riyadh, Saudi Arabia, earlier this month on a sales trip for the Anglo-German-Italian Tornado multi-role aircraft.

Most diplomats in the region, however, believe that the Gulf states will go for the U.S. option, arguing that the council sees a "window of opportunity" after the U.S. presidential election to lodge requests for new equipment, particularly General Dynamics's F-16 fighter.

President Ronald Reagan is in a strong enough position after his re-election to face the inevitable outcry from the Israeli lobby, the Gulf states argue.

Saudi Arabia is known already to be exploring the possibility of buying the F-16 and Kuwait may be in the market for about 30 fighters.

Cheysson bid for Brussels job starts French row

By Quentin Peel and David Housego in Brussels

AN ACRIMONIOUS quarrel within French ranks over the likely nomination of M Claude Cheysson, the Foreign Minister, as a member of the next European Commission has disrupted the process of allocating the top jobs in Europe among the 10 member states of the EEC.

M Cheysson, yet to be formally put forward as candidate by the French Government, has been campaigning with the support of President François Mitterrand to return to Brussels in his former position as Development Commissioner, a post which has been held by France ever since the inception of the Community.

The move would in turn allow President Mitterrand to promote M Roland Dumas, his Minister of European Affairs and government spokesman, to become Foreign Minister.

However, it has put the French Government in direct conflict with M Jacques Delors, the president-elect of the Commission and former French Finance Minister, who is determined to maintain a free hand in the allocation of portfolios among the member states.

M Delors feels that attempts by individual governments to insist on specific portfolios for their candidates would undermine his authority and jeopardise the future independence of the new Commission, which takes office for four years in January. He has also made clear that no member state can claim a "right of occupation" to any particular field.

The controversy casts some doubt on whether M Cheysson will remain France's nominee as its second commissioner when his name is due to be submitted to the European summit in Dublin next week. As both a foreign minister and former commissioner, he would normally qualify for an important portfolio, but as the junior candidate from the country which holds the Commission Presidency, he cannot expect so much.

M Delors, who has been a close friend of M Cheysson, is thought to favour giving the industrial portfolio to France, to balance a British commissioner – Lord Cockfield – responsible for the internal market. The development job – with the second largest budget after agriculture – would then go to West Germany.

The controversy over M Cheysson's role in Brussels could also complicate the mini-Cabinet reshuffle President Mitterrand had in mind in France.

The French head of state is anx-

Continued on Page 18

UK economy set for year of steady growth, say employers

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE British economy is set for a year of steady growth, which may reverse the rising tide of unemployment, the Confederation of British Industry (CBI) says today.

The CBI's latest forecast which predicts 3¼ per cent growth for the economy in 1985 with moderate inflation lends support to the relatively optimistic views of the UK Treasury published earlier this month.

The CBI's expectation of a slight fall in unemployment by the end of next year to 3m is in contrast with the views of most of the 21 independent forecasters recently surveyed by the Financial Times. They mostly believe that unemployment will continue to rise to an adult total of about 3.2m.

Even so, the fall in unemployment predicted by the CBI is small and well within the margins of forecasting error. In its commentary the CBI says it expects a further decline in the number of jobs in manufacturing industry – by between 1½ and 2 per cent this year and next.

For the economy as a whole, the CBI says it expects unemployment to be "little changed" by the end of the forecast period.

The forecast is made on the technical assumption that the UK miners' strike will be over by Christmas. The CBI agrees with the Treasury that in the absence of the strike the economy would have grown by about 3½ per cent this year.

The Japanese economy is set to grow by 4 per cent in real terms next year, says Fuji Bank, Japan's second largest commercial bank. It is also projecting another large current account surplus in fiscal 1985 of perhaps $30bn, compared with a surplus of $33bn in the current fiscal year. Page 18; Prospects for UK unemployment, Page 14.

The forecast growth of 3¼ per cent for 1985 incorporates a one percentage point "rebound" from the effects of the strike.

This is closely in line with the Treasury's prediction in its Autumn Statement of growth of 2½ per cent this year and 3½ per cent next year.

The CBI does not publish a prediction for the retail price inflation rate. It predicts, however, that consumer price inflation, which which does not reflect changes in the mortgage (home loan) interest rate, will remain broadly unchanged at about 4¾ per cent, falling slightly to 4½ per cent by the second half of 1986.

Next year's growth, says the CBI, will depend on continuing improvements in investment and exports buttressed by consumer spending.

World trade is expected to grow by 7¾ per cent this year and by 6 per cent in 1985. This will help UK exports, but they are expected to grow at slower rates.

The confederation warns, however, that the prospects for exports and for investment will depend on the level of pay settlement in the new wage round which started in August.

It believes there is little evidence that the average level of pay settlements is increasing from the 6 per cent shown by CBI evidence from the manufacturing sector.

Although profitability rose to 6.6 per cent in the second quarter of 1984, which the CBI says should apply no restraint to investment, it also warns: "A lot depends on how much liquidity and profitability is given away in pay."

High pay settlements will also worsen international competitive-

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CONTENTS

OVERSEAS NEWS

PLO LEADER FACES DILEMMA OVER INTERNATIONAL SUPPORT

Arafat urged to reject Hussein line

BY ROGER MATTHEWS IN AMMAN

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, is coming under mounting pressure to reject the offer by King Hussein of Jordan to work together for Middle East peace.

The pressure is both international and domestic, according to members of the PLO executive committee and delegates attending the sessions of the Palestine National Council, the movement's top policy-making body, in Amman, the Jordanian capital.

If the National Council does refuse the King's offer, made on Thursday at the opening session, it will prove a serious setback to hopes for a new peace process being launched in 1985.

The refusal of the Soviet Union and other Eastern bloc countries to send delegates to the council was described by a member of the 15-man PLO executive as a clear warning to Mr Arafat.

"Arafat knows very well that, if he co-operates closely with King Hussein and, therefore, with the Americans, then he will alienate the Soviet Union. He cannot risk that now, especially in the face of the hostility from Syria," said a member of the executive.

However, Mr Khalid al-Hassan, a close aide of Mr Arafat, asserted that, despite the Soviet boycott, contacts with Moscow remained close and there was no risk of losing its support.

However, a large number of the 257 delegates to the Palestine National Council have also been expressing serious doubts about the contents of King Hussein's speech.

A spokesman for a group of up to 50 independent delegates, which meets nightly after the conference sessions, said yesterday that they had already demanded that Mr Arafat should not accept King Hussein's proposals. This was primarily because the proposals were based on United Nations resolution 242, which describes the Palestinian issue as a refugee problem.

"Arafat would cause an even more damaging split in the movement, if he was to accept the Jordanian idea," he said. "We have told him that he does not need to reject the King's offer in so many words. What we want is a re-affirmation both of previous PNC resolutions and of our commitment to the decisions of the 1982 Arab summit meeting at Fez. If we do that, then we have rejected King Hussein."

The group of independents say they are working together to fill the vacuum caused by the boycott of the Syrian-based Palestinian faction.

"We are trying to act as a constructive opposition within the PNC," said the spokesman. He believed that the independents who are elected to the PLO executive later this week should form a bridge to Syria and work towards reconciliation.

However, some of Mr Arafat's closest supporters are equally adamant that there can only be a reconciliation if Syria radically changes its attitudes. They also believe that Mr Arafat can work with King Hussein and negotiate over the future of the Israeli-occupied West Bank and Gaza without Syrian participation. But there is little evidence so far that their views are winning widespread acceptance among the majority of delegates.

Lolis Fares adds from Damascus: The Palestinian Democratic Alliance which groups Palestinian organisations opposed to Mr Arafat, issued a statement yesterday saying its leaders who all returned from Moscow have held a meeting and decided to reject altogether King Hussein's proposal—

"We appeal to all our people to reject the Hussein initiative, and to support the resolutions of the 1983 PNC in Algiers," it said.

'Time is ripe' for UK to join European Monetary System

BY PHILIP STEPHENS IN LONDON

THE BRITISH Government should act now to take sterling into the European Monetary System (EMS), if it is serious in its commitment to full membership, a study argues today.

The document, prepared by a group of leading bankers and economists, highlights the wide range of advantages which, it says, Britain would derive from participation in the EMS.

It notes that the UK Government has consistently said that Britain would joint currency float "when the time is ripe." It says, however, that "it is difficult to envisage any time appearing riper than at present."

Traditional arguments against immediate membership, such as sterling's special role as a petro-currency and the widely divergent inflation rates in European Community states, have been substantially weakened by recent developments, it says.

Inflation performance, monetary targets and the general structure of economic policy in Britain and West Germany are "as close as are likely to be seen between independent soveriegn states."

Prepared under the auspices of the Federal Trust for Education and Research, the study's publication is timed to coincide with the revival of the debate in the Government on EMS membership.

Sir Geoffrey Howe, the Foreign Secretary, has been adopting a more positive approach to the idea of linking sterling with the EMS currencies, but the Treasury has not ceased its opposition.

The Treasury is conscious, however, that its traditional arguments for delaying membership now appear less convincing. The debate within the department recently has thus been in terms of whether Britain should ever join rather than whether the timing is right.

The study says that while some of the erratic fluctuations in sterling's value over the past five years can be blamed on its link to oil prices, excessive volatility has imposed "extremely heavy costs on the corporate sector and employment."

Membership of the EMS has contributed to the convergence of economic policies among other European Community states and has greatly assisted governments in resisting speculative pressures on their exchange rates, it adds.

Ecu finds new friends, Page 16

Criminal inquiry into Italian property fund

BY ALAN FRIEDMAN IN MILAN

AN ITALIAN magistrate has opened a criminal investigation into the financial dealings of Europrogramme, the Lugano-based property fund controlled by Sig Orazio Bagnasco, who also owns the luxury Ciga hotel chain.

Sig Bagnasco's L1,000bn ($534m) property investment fund is facing a liquidity crisis. Requests for legal action have been made by hundreds of Europrogramme shareholders who together hold a substantial portion of the unit trust shares.

Sig Guiseppe Conte, a lawyer representing shareholders, said a 40-page dossier on Europrogramme had been supplied to the Swiss authorities alleging misappropriations.

A number of shareholders have been demanding the immediate refund of more than L70bn of shares, but Europrogramme says its liquidity is only about L30bn. The Swiss authorities, meanwhile, have extended until March a ban on the redemption of Europrogramme shares, many of which were sold door-to-door in Italy. The shares are not quoted on any official board.

Superpower harmony in move to halt UN budget

NEW YORK – The United States and the Soviet Union are in unusual agreement on a United Nations issue. They both want to rescind an 8 per cent cost-of-living raise for civil servants at the UN headquarters in New York and other duty stations.

"It's a decision not lightly taken," U.S. Ambassador Mr Alan Keyes, a deputy to chief delegate Mrs Jeanne Kirkpatrick, said of the unlikely co-operation.

Americans pay 25 per cent of the regular UN budget and, in 1984, that amounted to $180m. The Soviet assessment is 12.22 per cent.

Mrs Kirkpatrick believes the two have "made quite a bit of progress" in identifying the need for fiscal responsibility and for controlling a budgetary process that had reached "nightmare proportions."

The U.S. has frequently complained that the Third World majority in the 159-nation General Assembly pays only a fraction of the budget, but repeatedly adopts resolutions that entail extra costs.

The Soviet Union recently supported – while the U.S. opposed – a recommendation for a new $73.5m conference centre of the UN Economic Commission for Africa at Addis Ababa in famine stricken Ethiopia. AP

HK survey finds mixed response to China deal

BY DAVID DODWELL IN HONG KONG

A MAJOR survey in Hong Kong of public attitudes to the Sino-British agreement on the territory's future after 1997, published at the weekend, shows that most people find the agreement acceptable—though they still harbour serious doubts and worries about China's intentions.

Almost eight out of ten said the agreement was not good—but was the best that could be expected, while six out of ten said it did not carry enough safeguards against interference in Hong Kong's affairs by Peking after 1997.

The survey, commissioned by three local newspapers, a Chinese language radio station, and Umelco, the body representing Hong Kong's appointed lay-politicians, found that Hong Kong people had accepted the agreement, which was forged after two years of secret negotiations in Peking, but only for pragmatic reasons.

Respondents remained unsure about their future, and of China's sincerity in implementing what it has promised on paper in the agreement. Almost five out of ten said they would not be reassured until the agreement came into effect.

Sir Sze-Yuen Chung, the senior lay-member of Hong Kong's Executive Council, welcomed the independent survey organised by SRG, the territory's leading market research group, as "the second best thing to a referendum."

The comment illustrates continuing criticism of the British Government for refusing to arrange a referendum on the agreement

A 12-strong delegation of appointed lay-politicians, which leaves for London on Friday to lo: by British MPs on aspects of the agreement ahead of parliamentary debates in Britain early in December, intends to draw heavily on the findings of the survey, rather than those of the Assessment Office.

Peking issues jail threat in party purge bid

By Mark Baker in Peking

THE CHINESE Communist Party has threatened jail terms for wayward members as part of a renewed effort in the three-year campaign to reform its ranks.

A circular from the party's Central Committee has for the first time stipulated prison terms as a weapon in the so-called "rectification campaign."

The campaign, which began in October last year, is aimed at ousting critics of China's new reform policies within the 40m member party, and those still sympathetic to the ultra-leftism of the "Gang of Four."

"Those considered unsuitable for membership can be expelled and if crimes are exposed under the reassessment the guilty party members could even end up in jail," the official news agency, Xinhua, reported at the weekend.

The tone of the circular, which calls for severe measures against recalcitrant cadres, appears to signal a toughening in the Chinese leadership's approach to the party clean-up.

Western diplomats suspect the campaign has been flagging recently

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S. Africa condemns Angola over leaks

By Anthony Robinson in Johannesburg

MR PIK BOTHA, the South Africa Minister for Foreign Affairs, has questioned the Angolan Government's negotiating ability following disclosure by Angola of the two governments' stands on the withdrawal of Cuban troops.

The disclosures, confirmed as accurate by Pretoria, show that the two sides remain far apart on an issue critical to the settlement of the Namibian (South West Africa) dispute. Accusing Luanda of a breach of confidentiality, Mr Botha said in a statement last night that "it is a pity that the Angolans have gone out of their way to give the widest possible publicity to the proposals submitted to us."

The Angola position, submitted to Mr Chester Crocker, the U.S. assistant secretary of state for African affairs, and discussed with South Africa, calls for a gradual withdrawal of Cuban forces over a three-year period. The Angolan Government last week released the text of a letter to the UN Secretary General, Mr Perez de Cuellar, setting out the details.

The Angolans also appear to have leaked South Africa's position to the U.S. press. Pretoria wants total withdrawal of Cuban forces within 12 weeks of implementation by South Africa of UN Resolution 435. This provides for the replacement of South African forces in Namibia by a UN contingent charged with supervising free elections, leading to the territory's independence.

The timetable sought by Pretoria is for withdrawal of 8,000 Cuban troops within nine weeks of South Africa's compliance with Resolution 435 and total withdrawal within 12 weeks. It also wants assurances that Cuban troops would not be replaced by any other foreign forces and that the number of Soviet bloc advisers should not be increased beyond 1978 levels — to be mutually agreed in advance.

Arms agreement 'may take 4 years'

BY REGINALD DALE IN WASHINGTON

MR ROBERT McFARLANE, President Ronald Reagan's national security adviser, yesterday warned that it could take the whole of Mr Reagan's second four-year term of office to reach acceptable new arms control agreements with the Soviet Union.

Stressing that the U.S. would be "flexible and constructive" in the new round of negotiations due to begin in January, Mr McFarlane said that there was "great promise of progress" if Moscow approached the talks in good faith. He warned, however, that headway would not be made overnight.

Mr Reagan, he pointed out, was committed to achieving results by the time he leaves office in early 1989. "It need not take four years—but it might," he said.

Mr McFarlane again denied Washington reports that the U.S. is considering a moratorium on the Nato deployment of American Cruise and Pershing II missiles in Western Europe to help the talks off to a good start.

Such a moratorium, when the Soviet Union held a ten-to-one advantage in intermediate range missiles in Europe, would probably "pull the rug out from any hope of arms control," he said in an interview with CBS television.

"The U.S. was still looking for 'equality' between the two sides in intermediate range missiles," Mr McFarlane said.

While there were various ways of doing so, a "one-sided moratorium" was not one of them.

Mr McFarlane also dismissed any suggestion that the U.S. would offer a moratorium on the testing of anti-satellite systems before negotiations started, although he repeated Mr Reagan's pledge to discuss "mutual restraint" in space.

The Washington decision-making process to prepare the U.S. negotiating position was now 85 per cent complete, Mr McFarlane said.

With Mr Reagan and his senior advisers due to review the position this week, Mr McFarlane said that Mr Paul Nitze, the head of the U.S. negotiating team on intermediate weapons, would be "clearly pre-eminently qualified" for the post of U.S. special envoy for the new talks. He added, however, that no decision had yet been made and that one or two other senior officials were equally qualified.

Mr Nitze, aged 77, is regarded in Washington as the leading candidate for such a job, which would involve working alongside Mr George Shultz, the State Secretary, who is to be in overall charge of the U.S. side of the negotiations. The idea of appointing an independent arms control "Czar," who would direct U.S. negotiating policy, has been dropped, following State Department and Pentagon opposition.

Czech trainers 'being sent to Nicaragua'

By Our U.S. Editor

THE U.S. believes that a batch of Libyan-supplied Czechoslovakian L39 jet trainers is heading for Nicaragua via Bulgaria, the Washington Post reported yesterday. Crates containing the two-seat trainers had been seen on the docks of the Bulgarian seaport of Burgas, it said.

The new report follows a major flap earlier this month when U.S. "intelligence sources" said that they believed that crates of Soviet MiG-21 fighters were about to be unloaded in the Nicaraguan port of Corinto. While no MiGs were finally unloaded, the Reagan Administration made it clear that it would not tolerate Nicaragua acquiring such advanced aircraft.

The L39 could be used either to train Nicaraguan pilots to fly jet fighters or be converted into a light bomber.

Tim Coone adds from Managua: The Nicaraguan guerrilla leader, Sr Brooklyn Rivera, has been expelled from Honduras after attempting to hold meetings with leaders of the exile Miskito Indian Communities, on the Atlantic coast of the country.

Threat to Alfonsin marks voting on Beagle Channel

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINES voted yesterday in the referendum on the Beagle Channel dispute amid reports of assassination plots against President Raul Alfonsin and an outbreak of violence between rival political groupings.

Government officials said they expected a substantial endorsement of the peace proposal which cedes three disputed islands to Chile in return for Argentine control of disputed waters in the South Atlantic. Sr Antonio Trocoli, the Minister of the Interior predicted that although the vote is not obligatory at least 80 per cent of the electorate would cast a ballot and that 85 per cent of this would vote 'yes.'

But such optimism was overshadowed in the last hours of the campaign by a newspaper leak reporting that police had uncovered a plot to assassinate President Alfonsin allegedly organised by extreme nationalist group linked to the military.

Meanwhile, clashes between government supporters and members of the Peronist Party, who have been campaigning for abstention, clashed in several cities around the country.

President Alfonsin who ended campaign rallying in Buenos Aires on Friday night was surrounded by unprecedented security measures after the discovery of two bombs placed near the rostrum and numerous threatening telephone calls.

By contrast, voting across the River Plate in neighbouring Uruguay was taking place yesterday in a largely festive atmosphere. On Saturday jubilant crowds formed at bus stations, the port, and the airport to greet an estimated 30,000 Uruguayan exiles who had crossed over from Argentina to vote in the country's first democratic elections in 11 years of military rule.

Voting is mandatory so an estimated 2m Uruguayans are expected to vote for a president, vice president, 130 members of the Senate and Chamber of Deputies, 19 mayors, and hundreds of city councillors.

Second round of Salvador peace talks scheduled

By David Gardner in Mexico City

THE second round of the Salvadorean peace talks, which began last month in La Palma, in northern El Salvador, will take place on Friday.

This was announced yesterday by Monseignor Arturo Rivera y Dumas, the Archbishop of San Salvador and chief mediator between the two sides in the five-year-old civil war, in his weekly sermon.

Mgr Rivera y Dumas said the date and venue of the talks had been agreed both by the Leftwing rebels of the FDR-FMLN and the U.S.-backed Government of President Jose Napoleon Duarte. Though he would not disclose the venue for security reasons, the Archbishop later said that it would not be San Salvador.

Neither side has revealed who it will be sending to the talks but Sr Duarte confirmed on Friday that he would not be attending. Sr Duarte's peace initiative has come under growing pressure from the far Right and the army.

Polish union elects national leadership

By Christopher Bobinski in Warsaw

POLAND'S new union movement, which claims a membership of 4.7m, yesterday elected new national leaders in a move aimed at co-ordinating wages and labour conditions policy and providing a common front in talks with the Government.

The move came after the leadership of the underground Solidarity trade union last week reiterated its boycott policy of the new union, established when Solidarity itself was finally banned in 1982.

The five-man leadership of the new union has for the first time opened the door slightly to co-operation with Solidarity by saying that such contacts were possible with "any union which publicly declared itself to be for a pluralist union system and Solidarity's right to exist." However, at the meeting in Bytom of the new union at the week-end, keynote speakers and Government officials repeated their opposition to the idea of "union pluralism."

The Polish church leadership is now intent on raising the issue in forthcoming talks with the Government. At the weekend Mr Lech Walesa, Solidarity's leader, was invited to Warsaw for talks with Polish bishops before a trip today by Cardinal Jozef Glemp, the Polish Primate, to Rome for consultations with the Pope.

In a letter read in Warsaw churches yesterday, Cardinal Glemp once again asked for a full explanation of the murder of Father Jerzy Popieluszko—another key issue which the church is insisting on discussing with the Government.

Meanwhile in Szczecin in north west Poland, another civil rights group has been formed. It includes Edmund Baluka, a workers' leader in the 1970 strikes there, and 12 other colleagues.

Right-wingers stage anti-government rally in Madrid

BY TOM BURNS IN MADRID

FOR THE second Sunday in succession right-wingers yesterday staged a major anti-Government demonstration in Madrid. Tens of thousands took part in the protest organised by the Francoist Spanish Civil War Veterans Association to commemorate the death nine years ago of General Franco.

The march followed the same route along the capital's main Castellana Boulevard that was used a week earlier by Catholic parents and schoolteachers protesting against the Government's education policies.

Yesterday's demonstration was undoubtedly augmented by sharply increased tension in the Basque country where a general strike, the second in less than a week, has been called for today following the death of a Bilbao shipyard worker during severe clashes with police on Friday. Late on Friday night a policeman was killed and a second wounded in a grenade and machine gun attack carried out by ETA, the Basque separatist organisation.

General Luis Roson who was shot in Madrid last week by ETA gunmen was yesterday reported to be in a critical condition. He was shot in apparent reprisal for the assassination in Bilbao of a prominent Basque separatist politician.

The Franco demonstration is an annual event and yesterday's crowd appeared larger than the 90,000 estimated to have taken part in last year's rally. It was, however, substantially smaller than the more than half a million who demonstrated over the schools issue.

The increasing right-wing agitation is viewed as a symptom of growing restlessness with the Socialist Government which is now midway through its four-year mandate but as yet it has made little impact on opinion polls which continue to give Prime Minister Sr Felipe Gonzalez a decisive lead over his opponents. According to the Prime Minster's Office an election now would return the Socialist Party to power with a commanding majority.

The Socialists, however, face a new political opponent since the weekend in the form of the Partido Reformista which wound up a three-day inaugural congress yesterday in Madrid attended by 2,600 delegates. The new political party styles itself as "liberal progressive," and seeks to carve an electoral space for itself between the Socialists and the conservative opposition of Sr Manuel Fraga Iribarne's Coalicion Popular.

Basques bomb French police post

BAYONNE — The French Basque separatist group Iparretarak today claimed responsibility for planting a bomb which partially destroyed a newly-constructed police post on the French side of the Pyrenees.

The blast early this morning left a gaping six-foot hole in the front of the station and collapsed the ceiling of the first storey into a pile of rubble. Police said the bomb had been planted inside the empty building. No one was injured.

The station at Lecuberry, near St-Jean-Pied-de-Port, was due to house a brigade of gendarmes from February 1985.

Police said Iparretarrak, which has been waging a sporadic campaign of violence to press its demand for greater autonomy for the French Basque region, claimed responsibility for the blast in a phone call to a local radio station.

Reuter

Difficulties mount for Mitterrand

By David Marsh in Paris

PRESIDENT Francois Mitterrand has come under strong attack from the right-wing opposition over the Government's handling of disturbances in France's colonial territory of New Caledonia in the Pacific, adding to a tide of criticism over the president's domestic and foreign policy.

In a joint statement at the weekend, five Gaullist former prime ministers, including M. Jacques Chirac, the leader of the RPR opposition party, blamed violence in New Caledonia last week on the Socialist Government's "encouragement" of the Malaysian separatist movement.

They called for "urgent measures" to head off the danger of civil war.

Trouble on the islands, sparked off by the Caledonian Liberation Front (FLNKS), continued at the weekend in spite of a statement from the Paris Government promising to accelerate the community's move towards "self-determination."

Around 300 more paramilitary police were dispatched from France to the south Pacific, taking the numbers in mobile squadrons on the islands to around 1,300.

The New Caledonian disturbances follow elections a week ago, boycotted by the separatists, which gave a sizeable majority to the right-wing anti-independence party close to M. Chirac's RPR.

They add up to another considerable overseas policy headache for M. Mitterrand, who has already come under heavy fire in France over Libya's failure to pull its troops out of Chad.

The flare-up over New Caledonia comes on the eve of another foreign trip by M Mitterrand in which he could again run into controversy.

Just 10 days after his heavily-criticised talks with Col Muammer Gadaffi, the Libyan leader, on Crete, M Mitterrand leaves today for a two-day visit to Syria for discussions with President Hafez El Assad.

The visit will be balanced by a trip to Paris early next month by Mr Shimon Peres, the Israeli Prime Minister. But M Mitterrand may run into domestic criticism for going to a country whose forces were in conflict with French troops during France's peacekeeping mission in the Lebanon.

On the home front, M Mitterrand returned at the weekend from a two-day tour in the Alsace region in eastern France where he was assailed over the Government's failure to honour pledges to site in Strasbourg a $1bn European synchroton electron-accelerator.

A bomb explosion late yesterday afternoon in central Paris, wounding six people at a hall scheduled to give an Armenian concert in the evening, will meanwhile probably stoke up growing controversy over security in the streets.

WORLD TRADE NEWS

India debates plan for abolition of protectionist controls

BY JOHN ELLIOTT IN NEW DELHI

FAR-REACHING changes in India's trade policy aimed at replacing detailed protectionist controls with a more open import and export regime are now being debated by senior ministers and civil servants in New Delhi.

The main change would be *the abolition of many physical* controls, which limit the number of products and components a company can import or produce, and the introduction of a fiscal-based policy of selective import duties.

Senior civil servants and leading industrialists believe that the advent of Mr Rajiv Gandhi as Prime Minister will ease the way for such changes, providing he develops sufficient political muscle after India's general election next month.

The easing of controls on computer import and production, announced earlier this week, is an example of how policies may develop.

"We should pick the best of our industries, like leather, electronics, printing and publishing and the manufacture of three-wheel vehicles, and encourage them to expand and export by allowing them to *import the best production* equipment and components they need," says Mr Abid Hussein, permanent secretary of the Ministry of Commerce.

Mr Hussein is heading a high-level committee on trade policy which will be recommending such changes late next month.

The committee is likely to suggest the abolition of physical controls and product licensing and the introduction of a new regime of import controls (as is being done for computers).

Heavy duties of several hundred per cent would be levied on luxury items and on products already made in India, but there would be low or non-existant duties on essential items.

The committee might also suggest that all company earnings from exports should be tax free, or subject to only small taxes. In addition a company should be allowed to retain some foreign exchange earnings for its own use.

Companies in the private sector should also be encouraged to develop as general trading houses in competition with government-owned organisations like the State Trading Corporation.

Saudis call tenders for Petroline project

BY OUR MIDDLE EAST STAFF

SAUDI ARABIA appears to be going ahead with plans to increase and perhaps double the capacity of Petroline, the crude pipeline linking its oil-rich Eastern Province with Yanbu on the Red Sea.

The Middle East Economic Digest reports in its latest edition that about a dozen international companies submitted bids on November 21 to supply 500,000 tonnes of large pipe.

The weekly journal comments that the scale of the tenders invited by the Arabian American Oil Company "suggests that the Saudi plan is eventually to build a capacity of 3.7m barrels a day," twice the present capacity. The value of the pipe involved is put at about $300m.

Earlier this year Fluor of the U.S. was awarded a contract for a "scoping study" aimed at raising capacity to 2.45m b/d in the first phase and eventually to double the present one.

Tender documents issued by Aramco require potential suppliers to provide estimates for 48-inch and 56-inch pipe, according to MEED. Mannesman of West Germany, Siderexport of Italy, U.S. Steel, the National Pipe Company of Saudi Arabia, two French suppliers and several from Japan are said to have been approached by Aramco which is supervising the bidding.

Soviets warm to turnkey contracts

By Patrick Cockburn in Moscow

THE SOVIET UNION is expressing interest in foreign contractors carrying out turnkey contracts for the first time in many years.

This change in emphasis by the Soviet authorities, who previously preferred Soviet and foreign companies to work together, was apparently sparked off by the successful completion by the Australian company Voest Alpine of a turnkey contract to build a steel mill in Belorussia.

The steel mill was cctnpleted in just over two years by Voest Alpine using a largely Yugoslav workforce. Senior Soviet officials have since expressed interest in more contracts being carried out on a turnkey basis.

Engineering contractors Davy McKee of the UK have just commissioned the second of two methanol plants built in the Soviet Union under a £175m fixed price contract signed in 1977.

The two methanol plants, *the biggest in the world*, each produce 2,500 tonnes of methanol a year at Tomsk in central Siberia and at Gubaha in the foothills of the Urals. Both use a process developed by ICI of which Davy McKee is licensee.

Both plants had to be built in extremely difficult conditions. At Tomsk the temperature falls to below 50°C requiring special steels and lubricating oils to be used. Heavy equipment was moved by barge from Glasgow to Northern Siberia and then 2,000 miles down the River Ob.

***Some 20 per cent of the* output of the plants, totalling between 300,000 and 360,000 tonnes a year, will go to ICI and Kloeckner Chemie under a buyback arrangement. This will cover the $400m cost and interest of the plants.**

● Finland has been invited to take part in developing and exploiting the Soviet Union's Sakhalin oil and gas field in the Sea of Okhotsk, where the Russians are already working with Japan, a senior official said, Reuter reports from Helsinki.

Professor Pauli Jumppanen, Finnish chairman of the joint Finnish-Soviet Arctic project, said the offer covered all development stages,

Paris softens 'buy French' computer policy

BY DAVID MARSH IN PARIS

THE FRENCH Defence Ministry has agreed to buy high performance micro computers from the specialised Californian company, Grid, confirming the trend for public sector computer procurement to be opened up increasingly towards foreign suppliers.

The computers, named Com*pass and costing around $4,000* each, will be used to assist communications and decision-making by operational army units. They could be connected to the French battlefield communications system, Rita, which France is itself trying to sell to the U.S.

The size of the order — which will be carried out through the intermediary of Secre, the computer subsidiary of the French private Jeumont-Schneider electronics group — has not been disclosed but is fairly small.

But the contract is symbolically important because in previous years France has attempted to steer government and public sector computer contracts towards domestic companies to promote a home-based data processing industry.

The "buy-French" policy has been weakened by difficulties of France's own computer industry, centred around the nationalised group Bull, and the increasing technological gap between French groups and companies in the U.S. and Japan.

Among other signs of a more pragmatic approach, state-owned electronics groups have recently signed a number of collaboration agreements with U.S. companies, while Bull is preparing to give up its long-cherished policy of not making *equipment compatible with* International Business Machines.

Bull last week announced the launch of a new powerful mini-computer, the SPS-9, designed for scientific and technical applications. This is the result of a technological link-up with Ridge, the Santa Clara, California, computer group.

This week, Thomson, the state-owned electronics group whose products include private telephone equipment and home computers, is giving details of a new collaboration accord in voice and data communications with Hewlett Packard.

A key aspect of the accord between Secre and Grid is that the Compass computers will be produced in France from 1985 onwards if demand exceeds a level of around 100 a year.

● France and Spain have signed a government agreement aimed at improving co-operation between the two countries in electronics and information technology.

Consumers call for bigger say

By Paul Cheeseright in Brussels

CONSUMER ORGANISATIONS in the European Community are to make a fresh attempt to make their voice heard in the formulation of trade policy.

BEUC, the European Bureau of Consumer Unions, which pulls together the main national consumer organisations of the EEC, is using an international conference in Paris, starting tomorrow, as a launching pad for more public discussions and assessment of demands for protection.

What the consumers would like is the use of procedures, adopted in countries like the U.S. and Australia, where demands for protection have to be justified publicly and where independent anlyses of the cost of such protection are produced.

Such an approach for the UK was floated by Mr Peter Rees, when he was Minister for Trade, but has since sunk without trace.

The conference is being held at the Organisation for Economic Co-operation and Development, whose secretariat has produced a background report for the conference that generally endorses the BEUC plea for a more open handling of demands for protection.

"The authorities in charge of trade policy should be encouraged to adopt a more open procedure or process of decision-making to permit a better representation of consumer interests," the report says.

SHIPPING REPORT

Russians charter more tonnage for grain

BY ANDREW FISHER, SHIPPING CORRESPONDENT

FREIGHT RATES showed little movement on shipping markets last week, although the Russians chartered more tonnage for grain imports and the Chinese were also more active.

Japan's forecast of a drop in next year's steel output was seen by Denholm Coates as *ominous news for the dry cargo* markets, especially in the large bulk carrier sector, in which iron ore transport is prominent.

Business was slowed down by public holidays in the U.S. and Japan. But the grain ship *chartering by the East bloc kept* markets fairly busy.

The Russians took a reported 12 ships towards the end of the week at rates slightly softer than those chartered recently, said Denholm. The Chinese have probably had their most active week this year and are thought to have fixed up to ten ships from the Mediterranean and others from elsewhere.

Chinese grain ship fixtures included tonnage to go from Vancouver to China and they have also been on the lookout for ships from the U.S. Gulf. One 25,000-ton fixture for phosphate to China from Tampa, Florida, was concluded at a rate of $29.50 per ton, around $3.50 above the previous level.

On the tanker scene, Galbraith's said the most lethargic area was the Gulf, though there *was some interest in* VLCCs (very large crude carriers). Owners generally are having trouble securing work for big ships in the Middle East.

Thus rates are not seen likely to change in the next few weeks.

WORLD ECONOMIC INDICATORS

RETAIL PRICES
(1975 = 100)

	Sept. '84	Aug. '84	July '84	Sept. '83	% change over previous year
W. Germany	144.1	144.0	144.3	141.9	1.5
France	248.9	247.7	246.4	232.3	7.1
Italy	385.4	382.7	381.6	351.2	9.7
Netherlands	162.3	161.7	161.5	158.1	2.7
Belgium	184.2	183.7	183.0	174.9	5.3
UK	263.7	263.1	260.8	251.9	4.7
U.S.	195.0	194.1	193.3	187.2	4.2
Japan	154.3	152.2	153.6	151.2	2.1

Source: Eurostat

Burmese joint venture

By Chit Tun in Rangoon

THE BURMESE Government has approved the rare formation of a joint venture involving a foreign company and a Burmese state concern.

The joint venture will bring together the private West German company of Fritz Werner and the Heavy Industries Corporation of Burma. The new company, to be known as *Myanma Fritz Werner Indus*tries Company, will undertake development, production and assembly of machinery, equipment and accessories for industrial plants in Burma.

The company also will provide the technology needed, and market its products both at home and abroad, said a Government official.

The move marks a breakthrough in the Socialist Government's traditional opposition to foreign private investment. It has made the exception because the venture will provide technology that Burma is unable to provide.

● West Germany will grant Nepal DM 45m (£12m) in 1984-85 for the construction of the 66MW Marsyang hydroelectric project in midwest Nepal, AP-DJ reports from Katmandu. The West German grant is in addtion to DM 141.6m provided under previous financial co-operation agreements for the same project. The aid will be used to finance hydraulic structures, mechanical and electric equipment, engineering consultancy and construction works.

China to use hard cash to import technology

By Mark Baker in Peking

CHINA is preparing to run down its substantial foreign exchange holdings as part of a $35bn (£28.9bn) programme over the next three years to refurbith manufacturing industries.

The State Economic Commission has said that $14.2bn in hard currency will be used to import advanced technology as part of the programme.

China's foreign exchange holdings have grown from about $2bn to more than $16.5bn in the past three and a half years. The country now has sufficient reserves to support about nine months of imports.

The high level of the reserves has been an issue of considerable controversy and the spending plans outlined by the Economic Commission are the first detailed indication of how China plans to employ the exchange surplus.

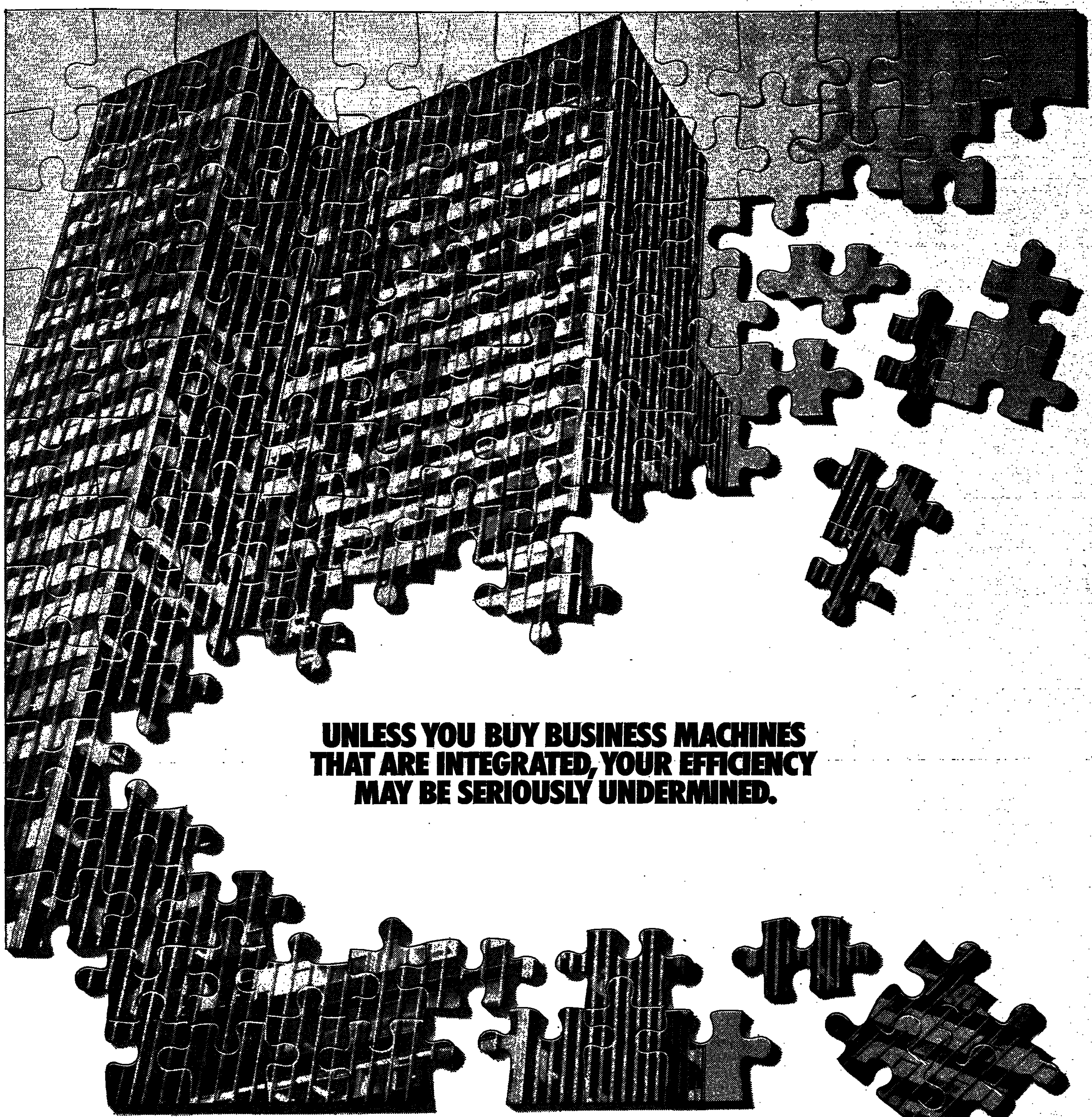
Zhu Rongjie, a vice minister of the Commission, said recently *that the technical upgrading* programme would be a priority of China's seventh five-year plan, beginning in 1986.

He said a total of 11,000 projects would be undertaken to modernise existing enterprises, 4,826 of them using imported technology and equipment.

Some enterprises would be permitted to borrow hard currency to buy technology from abroad and they would be able to repay the loans with Chinese currency.

From the beginning of next year local governments will be empowered to select and authorise technical upgrading projects involving the investment of 30m Yuan ($11.5m) and the importing of equipment of up to 5m Yuan.

● SANYO Electric, the Japanese electronics manufacturer, has announced that it plans to set up a semiconductor assembly plant in the Chinese special economic zone of Shenzhen, writes Robert Cottrell in Tokyo. The Y300m (£1m) plant is due to begin operations in February 1985, employing an initial 200 people, with production of small signal silicon transistors scheduled to rise from 10m pieces/month in the first year to 30m pieces/month in the second year.



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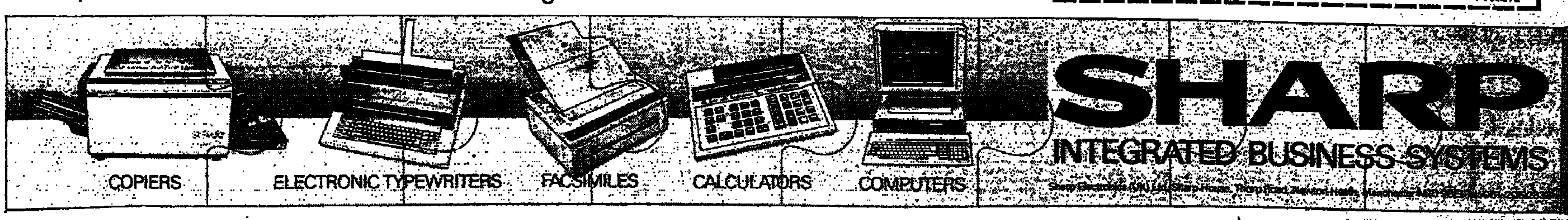


TECHNOLOGY

EDITED BY ALAN CANE

DELAYS IN COMPLETING THE WEST GERMAN VIEWDATA SYSTEM

Slow growth for Bildschirmtext

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY'S videotex system, Bildschirmtext (BTX), is steadily taking shape, although much more slowly than was originally hoped.

The Bundespost, the postal and telecommunications authority, remains convinced that BTX has great potential and the system has its enthusiastic supporters in the commercial world, including banks.

One of the basic problems at the moment is the cost of the decoding equipment, which is needed so that information called up via the telephone can be viewed on a television screen. Decoders are obviously still too dear for many private individuals, although prices are on the way down.

BTX's progress was also hampered by a delay in handing over the complex computer network for storing data, but the system has been introduced virtually nationwide in stages this year.

Bildschirmtext is modelled on the British Prestel system. It has experienced similar difficulties as its UK counterpart as businesses are the predominant users despite hopes that the private sector would invest in the system

There is still controversy about how many users BTX will attract and what sort of users they will be. The number of users — currently less than 20,000—is lagging well behind the early optimistic targets. What's more, the system is being used more for business rather than private purposes, whereas it was conceived mainly as a communications medium for popular use.

In a newly published analysis, Diebold management consultants in Frankfurt have predicted that the number of users could pick up to 2.8m by the end of 1990, when the market for hardware, including peripherical equipment, could amount to DM 4.3bn a year.

Diebold's forecast is made on the assumption that there are no unforeseen disruptive factors. On slightly different assumptions, it says, the number of user in 1990 might be 2.65m or, in more favourable circumstances, 2.9m.

It predicts that the number could rise fairly sharply to 150,000 by the end of next year, more than double to 430,000 by the end of 1986 and exceed 1m by the end of 1988.

Originally the Bundespost gave the impression that it hoped to have 1m users by the end of 1986 but has long since lowered its sights.

Diebold expects private individuals to make increasing use of BTX and to make up perhaps 55 per cent of users by 1990. By contrast, private users now make up only about 40 per cent of the total.

Commercial users will continue to make up about 30 per cent of the total, according to Diebold. The number of semi-professional users (for example, self employed people, who may use BTX for both business and personal purposes) should grow in absolute terms, but they should make up only 15 per cent of the total by 1990, compared with 30 per cent now.

One of the hallmarks of BTX is that it gives users direct access to other computer systems—such as in banks and other companies—which are interfaced with the BTX network. While about 100 external computers are at present linked to BTX, Diebold expects a big increase to more than 2,000 by 1990.

Enthusiasts have devised a wide range of users for BTX (one of the latest being information for the home handyman). In business applications, however, it is being considered increasingly as part of an integrated data processing system.

Bildschirmtext '85. Diebold Deutschland. DM 1,500.

STORAGE SYSTEMS

Olivetti joins the optical disk race

BY GEOFFREY CHARLISH

OLIVETTI HAS entered the optical disk document storage market in Europe with a system developed by Filenet Corporation of California, in which it has a 12 per cent holding.

The system, which uses optical disk drives from either Philips or Hitachi, has a maximum capacity of 20m pages—the equivalent of about 1,700 five-drawer filing cabinets.

The advantages of the system include minimised storage space and rapid, easy access to documents, particularly in organisations that handle large volumes of paperwork such as banks, insurance companies, and large industrial concerns. The documents can be typescripts, handwritten sheets or drawings.

An entry station scans documents, digitises them and tags the electronic entry with an index code. At a definition of 400 dots/inch, the unit can deal with eight pages a minute (at 200 dots/inch, 15 pages a minute). Before it is recorded permanently, each image can be examined on a screen and its contrast improved if necessary.

The digitised data is recorded by a laser on to the surface of a 12 in optical disk which is stored with up to 64 other disks in an electromechanical retrieval system acting rather like a "jukebox." Any image from any disk can be retrieved in about 12 seconds and played back on one of four optical disk units.

An index server manages the storage and retrieval of images, data and text to and from the optical disk. It uses magnetic disks for the temporary storage of information. This allows a group of documents to be extracted from the optical system for browsing, freeing the main store for other users.

Images are retrieved at workstations with high definition 20 in diagonal screens. The system can group related documents into electronic "file folders." Although the document is only stored once, it can appear in several different file folders. The user can browse through files on the workstation screen.

Documents can also be prepared at the workstation, which has word processing facilities. They can then be indexed and stored on the optical disk like the scanned documents. The workstation screen has "windowing" facilities, allowing the user to retrieve an image in one window, contact a mainframe processor to get information in another, and use word processing in a third. Any window can be scrolled and a "zoom" facility allows the smallest text to be magnified for easy reading.

The system includes a laser printer that can produce 12 pages a minute at 400 dots/inch resolution.

All the terminals and other elements are connected together on a local area network working at 10 megabits per second over 1,500 ft of cable.

Nuclear

Clear alarms

SANDIA national laboratories in Albuquerque, New Mexico, are trying to develop a more effective alarm system for nuclear power plant emergencies.

Scientists there believe that present alarm systems do not give a clear indication of the emergency and they want to build a system which can identify the priorities during an emergency so that plant operators need only concentrate on the most pressing incident first.

Researchers have been working on the system for the past two years and believe that a full simulated system will be available in a further two years.

Software

Business programs

LOGICA VTS has agreed to sell Xchange, software developed by Psion. This software will run on Logica's Kennet systems, which is a networked business system.

Both companies will also develop two communications products for Kennet. The first is an electronic mail program which will use the ARCnet local area network technology. The second product will link Xchange with a large mainframe communications package for IBM machines. More details from Psion in London on 01-723 9408.

Telephones

Preserving the poles

SUCCOUR is at hand for telecommunications and highway engineers who are worried about wooden poles to carry telephone and power lines.

The British Standards Institution has just published guidance notes which tell these people how to conserve poles and ensure they do not fall down.

In British Standard 1990, the institution lists preservative treatments for poles made of specific types of wood such as the Scots pine, Douglas fir or Sitka spruce. The document also gives advice on the safe loads for poles made from particular kinds of wood.

Handling

Stock control

THE BOOTS COMPANY has ordered a warehouse stock location control system from Nixdorf for a location near Nottingham which supplies goods to retail branches throughout the UK.

Running on a Nixdorf 8870 computer, the system replaces manual card filing for the movement and location of unit loads within the warehouse. It will connect to a mainframe computer at head office which is used for order processing and accounting.

The 0.25 mm sq ft warehouse has a daily throughput of more than £1m of merchandise. The new system is aimed at better control, savings in labour intensive clerical work and more efficient use of fork lift trucks.

Robots

Machine vision

A NEW book written by Jack Hollingum, Editor of Sensor Review Magazine, gives a good outline of machine vision for managers. It tries to show the directors the technology is taking and what actions companies might take.

The book, basically non-technical, reviews the scope for worthwhile applications of machine vision, now and in the future, and suggests the best ways of getting started. Nearly a third of it is devoted to case studies.

There is also a useful list of the companies and organisations concerned with developing and supplying systems and equipment.

Machine Vision, 120p, illustrated, soft-bound, price £15 (UK) U.S.$19.50 elsewhere, published by IFS (Publications) Bedford (0234 853605).

MARKET OPPORTUNITIES FOR COMMUNICATIONS SYSTEMS

Technology comes to the aid of the elderly

COMMUNICATIONS for the elderly and disabled has become a growth market for electronics companies. With more than 10m people in this country over the age of 65, there is a problem of ensuring that these people have adequate care.

In the days of restricted government spending on manpower to do this job, electronics companies see an opportunity to use technology to overcome the lack of human beings.

Recently two companies in the UK announced electronic systems aimed at this expanding market. Tunstall Telecom, the leader in communications systems for sheltered homes run by local authorities, has increased the sophistication of its central control system while Wolsey Electronics, part of the AB Electronic group, will launch a portable system for wardens early next year.

The Tunstall Telecom unit is part of its Piper range. It is a 16 bit microcomputer which can store information about 15,000 residents in a monitoring system. Sensors and communications devices are linked to the computer via the telephone network.

Smoke detectors, radio alarms or pull switches dotted around the home activate an alarm in the central station. Information about the call and its degree of urgency appear on a visual display unit in front of operators who can then call up information about the resident and a short history of previous alarms.

The Wolsey system is called Omega and looks rather like a portable telephone, which, in essence, is exactly what it is. Also intended for use by wardens taking care of a small community, the system is a portable master control system.

Omega has a key pay and liquid crystal display system which allows conversation with anyone on the system.

Wolsey will launch the system in the new year and several companies including British Telecom have expressed interest in selling the system under own brand.

The company believes that there is further potential for the system such as the ability to read water, gas and electricity meters.

CELLULAR RADIOS

Shrinking telecoms

SIZE REDUCTION and better value for money are the main competitive areas in the mobile radio industry as Europe moves towards a new era of cellular and trunked radio services.

Excell Communications, for example, a new British company based in Hale near Manchester, has launched Futurphone, a hand-held portable scarcely bigger than a pocket calculator.

Weighting under one pound and measuring only 7 x 3 x 1.25 ins, the unit is claimed by Excell to be smaller and lighter than any other announced cellular phone. It costs £1,990 including battery charger and standby battery pack. Other portables announced so far have ranged in price from £1,750 to £3,000. More on 061 941 7006.

In Sweden, Ericsson has announced a "second generation" of mobile units, initially only available in Scandinavia for the Nordic Mobile Telephone (NMT) cellular service.

They are only half the size of the company's previous equivalent models—one weighs only 2 kg. Facilities include short code and repeat dialling out, and a number memory. The units are also equipped for future data communications. More on Stockholm 752 1000.

The North Sea market 'undermining' Opec

By Terry Povey

AS OPEC struggles to get its price-setting machinery back under control, the producers' cartel is looking over its shoulder at the threat posed by the growth of the forward market in the main UK crude oil—Brent blend.

"The North Sea is the place where the Opec system is undermined," claims Mr Jan Nasmith, editor of Petroleum Argus. Some days, as much as 40 times more Brent is traded than Arab Light — the Opec marker crude oil against which all other grades were once rated and priced. So the pressure of the spot (free) market on the producer's contract pricing system is growing.

None of this would be happening if there were not a worldwide imbalance of oil supply over demand. In order to maintain revenues all producers are selling oil on the spot market — so ensuring a steady supply of oil whose price the producers cannot control. The volume of oil now going through the spot market is estimated to be about 40 per cent of the internationally traded total — 10 years ago it was only about 1 per cent.

But the surfeit of oil, which since late 1982 has regularly pushed spot prices below official prices has opened up opportunities for market-makers, notably the Brent forward market and the formally organised crude futures contract on the New York Mercantile Exchange (Nymex). Both provide a mechanism through which the day-to-day or even minute-to-minute, factors in oil markets are reflected.

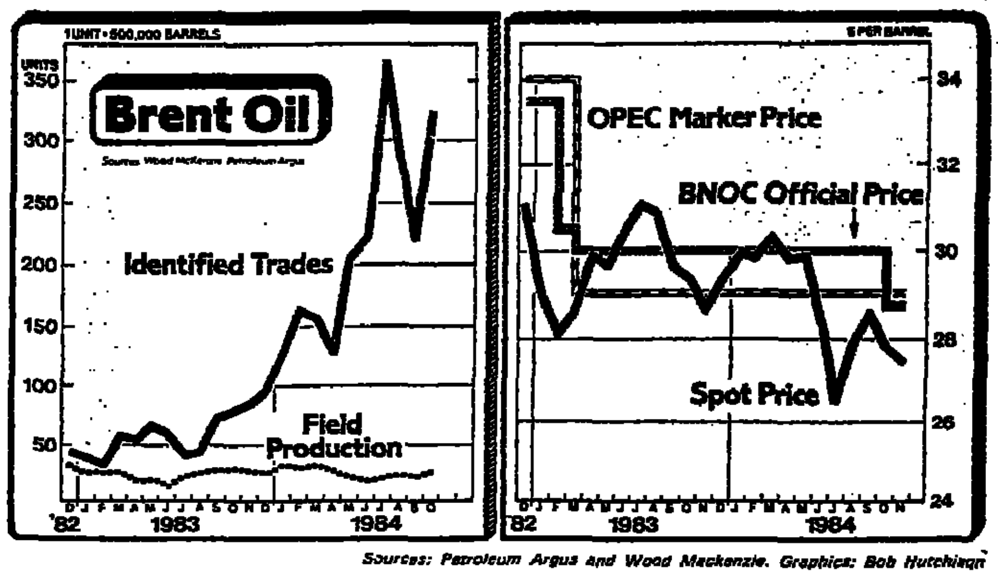
The importance of the Brent forward market is not, at once, apparent. The market itself is conducted by telephone. There are no rules, no minimum up-front payments (margins in the parlance of the commodity and futures' markets), and not even a clearing house or other central settlement institution.

The 70 active players in the market — with offices chiefly in London and Houston — are all the big names of the international oil business. The international oil majors, plus those with stakes in the North Sea are there. So too is the British National Oil Company, the UK Government's oil marketing company which handles the sales of Brent and sets its price, the refiners and, finally, the pure traders, who hope never to see a barrel of the oil they buy or sell turn up on their doorsteps.

The world's top traders are Phibro Energy (the oil trading division of Phibro-Salomon) and Trans World Oil, which is run out of Bermuda by Mr John Deuss. These two companies each trade about 30m barrels a month—about $850m worth.

Many of those involved in the spot market began in the early 1970s by trading on behalf of South Africa, following Opec's decision in 1974 to ban sales to the country.

But the pioneers of the Brent market were BP and Shell. According to a senior trader at one oil major, the forward market got under way in late 1982 (when the spot price fell below the official). "It just happened, there was no grand design. It was a response to a hunger for a hedging mechanism, given the uncertainties of the time." Playing the spot and forward markets also suited the emerging strategies of many big oil companies to de-couple their upstream and downstream activities as separate profit centres.



Sources: Petroleum Argus and Wood Mackenzie. Graphics: Bob Hutchison

The connection with Houston is important for it was here that forward trading in oil first began in 1976. At the time a system of differential oil pricing of great complexity existed, thanks to the old oil (controlled price)/new oil (uncontrolled) regulations introduced by the U.S. Congress as part of the phased deregulation of prices. Companies quickly seized the opportunity to trade their entitlements to future deliveries of the cheaper oil.

This period also gave birth to the "daisy chain"—a line of sellers and buyers of a single cargo of oil, traded on a forward basis on the expectation of making a profit on short-term price movements.

In 1983 Nymex seized the opportunity presented and launched its crude oil futures contract, trading in the West Texas Intermediate (WTI) quality. WTI provides another strong connection between the North Sea and Houston (which remains the place where most U.S. oil companies and traders have their offices, even though the trading may now be done via Nymex), because Brent and WTI are virtually interchangeable, having much the same sulphur content and refining characteristics.

Brent has emerged as the main crude in forward trades simply because it is the largest single quality produced and all of it comes from the UK sector of the North Sea. Traders also soon found the Brent market stimulated by the UK tax regime, which encourages oil producers to sell their own crude into the spot market and then buy it back.

According to the participation agreements between BNOC and North Sea producers, half of a producer's North Sea output has to be sold to BNOC at the official price and is taxed on this basis—this oil is known as "participation crude." The rest ("equity crude") is either sold to the producer's own refining unit—again the tax is on the official price — or is sold through the spot market to a third party. In this final case the tax is paid only on the spot price—this is called a tax break sale.

The "break" is in fact a minimising of losses. For example, when shortly before BNOC cut its $30 a barrel price, Brent was trading at $28.80, the actual loss on a sale at this price was not $1.80 but only 27 cents given the 85 per cent rate of tax paid. Refining units can then buy the oil from the spot market at a lower price.

Of course there is a loser in this arrangement: the UK Government, which is deprived of the additional tax revenues. The reason why the Treasury has turned a blind eye to the tax break sales on equity crude for so long appears to be that it was seen as a necessary *quid pro quo* for the majors' acceptance of the official price for their deals with BNOC. This in turn has helped shore up Opec and world prices when supply-demand pressures dictate that they should fall.

Some time in the last 18 months—at what point it is still not clear—the Government seems to have taken its tolerance of the tax break even further by allowing such sales on a proportion of the participation crude, as well as on "equity crude."

However, even these concessions, backed up by direct requests from ministers to oil companies to hold firm on prices, proved insufficient to defend Brent's official price as it came under increasing pressure in September and October.

In what traders call "crazy week"—immediately before the pre-Opec gathering took place, some 300 deals in December Brent are estimated to have been made—that is "buys" and "sells" totalling 150m barrels, worth some $4.2bn, or the equivalent of just over nine days' sales by the whole of Opec and of almost a year's production of Brent. The "daisy chains" were working overtime.

Once Opec's acceptance of the need for production cuts was established, trading fell off sharply—to a maximum of 18 cargoes (each cargo is of 500,000 barrels) a day and prices in the week to November 2 returned to where they had started on October 25. However BNOC had little choice but to accept the defeat of its various efforts to protect the $30 level. The timing of the move—downward pressure in the summer months had been resisted—was in line with a strategy that it is better to cut prices when real demand will prevent them falling through the floor.

So how is this informal market likely to develop? According to Mr Nasmith it should grow into a properly organised futures market in which both the majors and the producers (including the UK Government) would act to support prices by buying or selling—a kind of fragmented buffer stock approach.

The industry's aim seems to be to keep its trading activities close to its chest. Several UK companies speak disparagingly of Nymex as the "doctors' and dentists' market"—that is one in which low-rolling punters get a chance to play alongside the big boys. Nymex trading lots are only 1,000 barrels—the majors prefer Brent's 500,000-barrel (soon to rise to 600,000)

This hasn't, of course, prevented the oil companies and leading traders from using Nymex to cover positions taken on the Brent market and vice versa. Such trading, says one analyst, has the distinct advantage that whereas "on Nymex the actions of a trader are very visible but their identity is not, on Brent the identities become known sooner or later but what they are doing doesn't. So by acting in both markets only one end of a transaction is ever visible."

For the big players news of their trading is considered vital commercial intelligence and they will strive mightily to keep it from competitors. The major oil companies will therefore resist the formalisation of the Brent forward market, but will move rapidly to assert themselves in whatever kind of market does emerge.

WHEN THE TIME BOMB STARTS TO TICK

THE PATTERN of trading in Brent—and the transformation of the paper forward market into a physical one—is influenced by the process by which the oil comes on to the market. All the oil is landed at Sullom Voe in the Shetlands through a single pipeline. Companies wishing to collect oil are given lifting "windows" (three-day intervals) for the following month's business.

By mid-November the pattern of lifting of December Brent has been fixed, as each seller is obliged to give a buyer 15 days' notice of his window. Thus the oil for the first days of the next month immediately become "wet" (or real), and so on through the monthly cycle. According to one trader, the mid-month nominations are like a "time bomb starting to tick" under the complex edifice of buyers and sellers—the daisy chains—built up while only forward trading ("dry oil") is taking place. "Once your oil goes wet you've got 15 days to get rid of it or you end up with a distressed cargo," says another.

Of course, as with any forward market, accidents happen. The daisy chains can break or simply dissolve away. For instance a producer at one end and a consumer (refiner) at the other, who may have as many as 60 intervening owners of the cargo between them, can do a book-out in which case the chain has a happy ending.

When a chain busts, the majors step in to sort things out—providing a cargo or buying one in order to plug the gap ("at a price, of course"). One analyst compares the major's role in this to that of the Bank of England: "They are buyers or sellers of last resort," he says.

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CHEMICALBANK

CHEMICAL BANK CAPITAL MARKETS NEWS

Design of New Trading Room Reflects Technology to Meet Changing Demands of Future

Phones that dial themselves when you speak your intended party's name, an optic fiber system that will let you simply touch a screen to input trades, desks that can be taken apart and reassembled—is all this necessary?

Time Is Money

Yes, says Chemical Bank's Capital Markets Group. When you're talking about trades, time is money.

"We've been in the process of relocating our trading room for more than three years," says Vice President D. Gregory Lambert, project manager. "We wanted to do it right." Mr. Lambert is a former trader himself.

When Chemical moved its headquarters in 1981 from 20 Pine St., in New York City's Wall Street area, to 277 Park Ave., it left its traders behind. But work continued on the components and design of a new trading room. The room was becoming increasingly overcrowded, and it was apparent a new room had to be built. The question was where. When the answer was 277 Park, a team of Chemical officials swung into action.

The team responsible for the planning and execution of the move of Capital Markets and Investment Banking to three floors on Park Avenue numbered about 25, with, of course, scores of other staff members involved along the line. They faced special problems.

"The final moving date couldn't be changed once decided upon," points out Senior Real Estate Officer Richard Lehmann, real estate/construction project head. "We had to give AT&T a definite date at least three months in advance because of the complexity of the communications switch-over. We couldn't change it and still get a guaranteed date. "And since we didn't want to lose even one hour of business, we had to meet our deadlines."

The years of conceptualization that went into the design of the new trading room are obvious in the final result. Where the old room was a veritable warren of desks and computer terminals, the new room is panoramic.

The 20 Pine St. trading facilities were last revamped about five years ago. Since then, the explosion in computer technology has meant that a new terminal and screen appeared on a trader's desk with each new service added. Pretty soon, screens were stacked on top of screens.

"There were so many screens piled up, a trader felt like he was isolated in a cubicle," Mr. Lehmann says. "Everyone was getting a stiff neck from craning his or her neck to see the topmost screens."

"Besides," he adds, "body language is a big part of trading. Department heads like to see what their people are involved in. It's hard to see over mountains of computers. In designing the new room, we set out to restore those lines of sight. That's why we designed work stations that are long and low, incorporating only one or two rows of screens. If new screens have to be added, they're added horizontally rather than vertically."

Single Keyboard Concept

In addition, the use of one keyboard for a multiplicity of functions has reduced the clutter on the desktops. The trader has his telephone in front of him, his keyboard and master monitor (an IBM PC) to one side, and his other monitors on the other side.

Cabling for the computer and phone systems goes under a raised floor, composed with concrete-filled panels so that after being carpeted, it feels like a "real" — not hollow — floor when walked on. Carpet tiles can be removed if access to the cabling becomes necessary.

In order to counteract the loss in ceiling height because of the raised floor, an unusual and innovative system of ceiling vaults was created, incorporating mirrored sections that provide a sense of spaciousness.

Nearly 2,500 pieces of equipment have been installed in the trading room: 500 phones, 300 turrets, 280 intercoms, 700 video screens, 280 keyboards, 210 personal computers and about 60 other machines such as Dow Jones tickers, Rapicom, etc.

A special intercom system allows one trader to contact another simply by speaking his party's name aloud, and also lets department heads speak directly to one person or a group of people. A liquid crystal display unit sends messages across a band on each trader's terminal; in addition, videotex material can be broadcast to the room as a whole over a large screen that functions like a Times Square message ticker.

It's the nature of trading floors that they become outmoded very quickly. Chemical believes that it has conquered that potential problem by designing a room that is totally flexible.

"All our furniture is modular," says Mr. Lehmann. "You can take these desks apart, rearrange them, and throw away some pieces and add others as new systems become available. Our lighting system assures that the desks can be placed anywhere on the floor without suffering a loss of visibility. All the equipment vendors involved routed their services through a specially designated cable from New York Telephone's midtown offices; when changes are made, they can be programmed in, eliminating the need for a repairman to come over and manipulate wires."

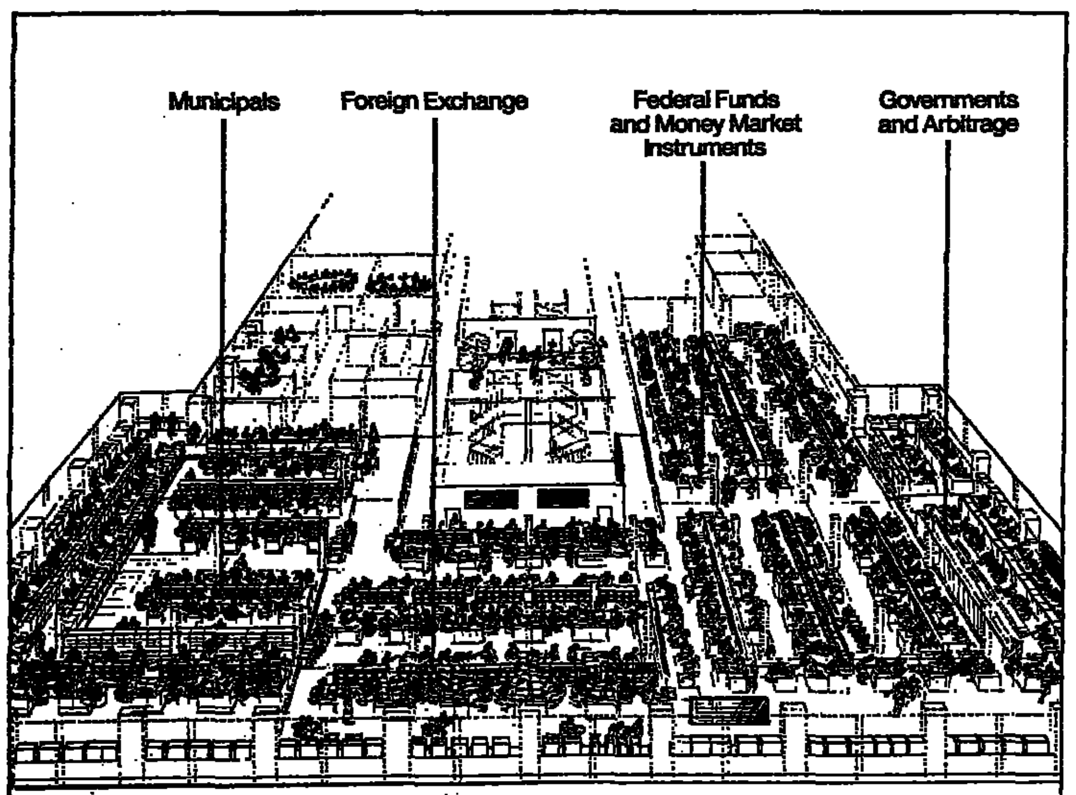
And did all this space-age technology actually work when the traders sat down at their stations that Tuesday morning?

"Believe it or not, yes," says Mr. Lambert. "Technically, the move was an outstanding success. In fact, it was kind of anticlimactic to look around and find that there were no catastrophic problems needing our attention."

Chemical hopes its design and planning efforts have placed any such problems outside the realm of possibility.

"Our goal is to remain state-of-the-art," Mr. Lambert declares, "so when the time comes to update, we can do it by boosting the capacity of our present systems, not by incurring major expenses to refurbish our trading room.

"As each new advance comes along," he says, "we'll be ready."



Trading Room Floor

Statistics Tell Impressive Story About Chemical's New Trading Room

The new Chemical Bank trading room covers 23,000 square feet in the bank's world headquarters in midtown Manhattan. As big as half a football field, the facility is also among the largest operations of its kind in the industry.

Other statistics tell the story of one of the most highly concentrated large-scale projects in Chemical's history. Atop the star-shaped traders' desks are 210 personal computers, 280 multi-function keyboards, the same number of intercoms, 700 video monitors, and 60 off-desk pieces of equipment ranging from electronic news tickers and bulletin boards to wall-mounted digital clocks.

The facility also contains about 265 tons of dedicated air conditioning equipment, an uninterruptible power supply and dedicated electrical service.

The area is wired to the world's financial markets with 1,200 telephone lines, 350 private lines and 100 data connections. Some 380 miles of cable run under the concrete-filled raised floor, creating a waterfall of wiring among the floors of 277 Park Ave. that are the home of the Chemical Capital Markets Group.

State-of-the-Art Technology

The dedicated Capital Markets *data center houses six IBM 38 computers*, four IBM Series Ones, two Perkin-Elmer computers, and a wide array of other communications hardware and dedicated systems. In addition, a Rich modular video switch synchronizes networked microcomputers and video generators to facilitate fast and efficient access to multiple data and information sources.

The Capital Markets Group relocation project, more than three years in the making, required the services of 24 subcontractors and 60 vendors.

World's Most Modern Trading Room Speeds the Benefits Of Chemical's Expertise in Many Fields to Customers

Chemical Bank last month unveiled the world's most modern trading room in New York City, and the Bank's customers are the prime beneficiaries.

The new facility of the Capital Markets Group, designed to encourage the creativity that will give Chemical customers a financial advantage, allows traders to be in touch with a greater number of sources, analyze relationships among markets more quickly, and structure deals that are more competitive in the marketplace.

Utility and Flexibility

Says President Thomas S. Johnson, to whom the Bank's Capital Markets Group reports: "The new facility enables our traders to quote prices faster and make trading decisions with more confidence than any of their competitors. Our primary objective in selecting trading systems and configurations was maximum utility and flexibility. The result is truly the most modern and flexible trading system to be found anywhere, and one that has the ability to accommodate future technological advances merely by plugging in new systems."

According to Mr. Johnson, Chemical has put great effort into understanding how to create value for the Bank's customers. Value, he says, is created in the form of information, distribution, and proper pricing. In addition, "We try to understand as well as we can what the parameters of predictable risk are."

"There's no way to *eliminate* risk," the Chemical president adds, "because, after all, the ability to absorb risk is also one of the values that we provide as a financial intermediary. What we want to do is make certain that it's not the "*only* value we provide."

World Headquarters Location

"We believe the location of our traders in the Bank's world headquarters at 277 Park Avenue creates a beneficial synergy for our customers. Traders and account officers are able to meet more easily to discuss how best to accommodate the customer's needs. Also, the integration of Capital Markets' expertise with the corporate lending and credit analysis expertise of Chemical's World Banking Group and the service orientation of Chemical's Personal and Banking Services Group makes all three groups stronger."

Corporate customers are using more sophisticated investment and hedging strategies that involve financial instruments traded by the Capital Markets Group. The business depends on correct pricing that is only possible through a large, expert trading operation. Loan sales, interest rate swaps and other market-sensitive techniques involving a complex series of transactions that produce savings or reduced risk for the customer are integral to the activities of the investment bankers in Chemical's Capital Markets Group.

The Capital Markets Group is also responsible for raising worldwide the deposits that Chemical needs to fund the asset side of its balance sheet. The expertise Chemical has gained in funding its own requirements was the early foundation of Chemical's investment banking activities.

In building the new trading room, nearly 2,500 pieces of equipment from 24 major vendors were put in place, and all of the telephone and other communications lines to the Bank's former premises in lower Manhattan were rerouted to Park Avenue. The changeover was accomplished smoothly over a single weekend in October.

Technological Leap Forward

"Our new trading room is a real leap forward technologically," says Managing Director Morgan B. Stark of the $30 million facility. Indeed, the 23,000-square-foot trading area is state-of-the-art as far as trading rooms go, with an impressive array of systems and equipment.

"Having the trading floor in the heart of our headquarters invigorates the Bank as a whole, gives it a kind of excitement," Mr. Stark says. "And I think it's important for top management to be able to stop by the trading room on any given day and absorb the activity and vitality of the room."

"By working with the commercial bankers, we have an array of services and capabilities unmatched by other kinds of institutions," Mr. Stark adds.

Over the last four or five years, there's been a total change in Chemical's status in the capital markets business. It has been built on the foundations of sound advice, quality of execution, continuous market presence and tight pricing. Chemical made a capital and manpower commitment that is now bearing fruit: Recent *Euromoney* rankings of foreign exchange dealers by market share saw Chemical move from 20th place to third worldwide, for example, and steady increases in market share have occurred in every important capital markets area.

High-Quality Service

How did Chemical achieve that?

"We got there by providing high-quality service," Mr. Stark explains. "Our top people in the capital markets area have been here awhile, and have developed a continuity of relationships with customers. These days, that means something."

"Now," he adds, "we've created a working environment designed to increase timely access, timely communications, instant connection across the world. This new trading room represents the pinnacle of that achievement."

Other strengths of the Capital Markets Group include:

- The excellent foreign exchange trading system in place at Chemical Bank London for so many years is now mirrored in the New York office.
- The Bank has strengthened its money market dealerships in secondary CDs and bankers acceptances and is very active in the commercial paper market, serving as placement agent for 19 clients.
- Chemical has a very active arbitrage department, adding tremendously to the professionalism of all of its other areas.
- There's uniformity in the quality of the people across the board in the division, as the result of heavy emphasis on hiring, training and competitive compensation.
- The sales force has doubled—and in some cases, tripled.
- The Bank is now able to give customers options on a foreign exchange.

"Trading is at the heart of the value added chain for us," says Mr. Stark. "Being at headquarters, with the best possible technical facilities, together with the strength of our many professionals, puts us right where we want to be—in successful, head-on competition with the very best."

New Trading Room Signals Expanded Commitment To Capital Markets, Says Chemical President

In the following interview, Chemical President Thomas S. Johnson discusses the importance of the capital markets to the future of Chemical Bank.

Q: *What makes Chemical's capital markets area so effective?*

A: We've known for a long time that what it takes to be successful in trading and distribution and in corporate finance is different from what it takes to be successful in the more traditional commercial banking business. As a result, we've established different training and compensation programs and different organizational structures.

One of the interesting differentiations between much of the capital markets area and traditional commercial banking is that our people don't come to work every day with an income stream to maintain. If there's going to be any income made that day, they have to create it from scratch. In the trading areas and distribution areas and in the Investment Banking Division, there's no such thing as an ongoing revenue stream. If you don't do something to create profit, it will not be there. So we've worked on a number of ways to reflect the unique nature of this business, including creating the proper working environment and the right kind of trading rooms, the right emphasis on different functions and staff support and so forth. Above all, training and compensation have been central to our strategy.

We've even changed our title structure in order to create an atmosphere that we think puts Capital Markets in tune with the requirements of our business. Almost all of our top managers, for instance, have been named managing directors and have resigned their banking titles. We have a team of highly professional individuals, mostly specialists, working together to grab the opportunity to make money wherever it appears.

Q: *What benefit has Chemical derived from being a natural participant in the financial markets?*

Thomas S. Johnson, President

A: Look at our funding activities, where we have to raise an average of $30 billion for ourselves, day in and day out, throughout the world. It's as though we are our own $30 billion captive client. Any investment banking firm would love to have that kind of locked-in flow to its business. It makes us stronger and more effective in servicing other clients. Our money market traders and salespeople have a steady flow of business that gives them better knowledge and better execution capabilities. It's a business where size really creates value.

Q: *Is it significant that the trading room is being brought into the world headquarters of Chemical Bank?*

A: Definitely. Our philosophy has been that trading is increasingly a critical element at the heart of banking activity. Larger and larger numbers of our loans, for example, are fixed-rate, fixed-maturity instruments that we enter into in competition with others on the basis of price. And with Rule 415 and other factors blurring the distinctions between securities and bank loans, a lot of our activities are becoming more and more financial market-driven.

It's important, therefore, to get the right moment-by-moment interplay between the people who raise money for the Bank and the people who lend it. It was felt that with the large concentration of lending activities at our corporate headquarters, communication would be facilitated by having the trading activities right there. In addition, much of the investment banking thrust involves sophisticated products that are created out of interplay among specialists in several areas.

For example, a currency swap could involve somebody from our Investment Banking Division interfacing with a person from our funding activity, someone from our London foreign exchange department, and the customer's account officer from our World Banking Group. That requires a close working relationship and close physical proximity, at least among those in New York, and creates the kind of atmosphere that gives us maximum effectiveness in completing complicated transactions.

Q: *Is Chemical already seeing the benefits of that kind of interaction?*

A: Yes. It's been extremely gratifying to see how much our people want to reach out and work with each other to create new opportunities for the customer to benefit, and for the Bank to make money. The key to it is knowledge. The more people know about each other's activities, the more enthusiastic they are about working together. And the other key is professionalism. We have worked very hard on these interplays, and we think that we have a couple of things going in our favor.

First is the overall organizational structure of the bank, which divides itself into three big groups and creates an atmosphere of partnership at the very top. It's there for people to see all the time, and is an example of how people can work together for the objectives that we share.

Continued on page 2

Chemical's Trading Room Breaks New Ground In Applying High Tech To Capital Markets Needs

The traders and sales people in Chemical Bank's new trading room have the most modern and most flexible trading system in the world.

As a result, they can quote prices faster and make trading decisions with more confidence than ever before.

Anthony P.R. Herriott, a Chemical senior vice president and the senior operations officer for the Capital Markets Group, emphasizes that Chemical's design of trading systems and equipment configurations affords traders maximum utility, flexibility and opportunity. "We set out to build an integrated systems environment that would allow traders and salespeople to access and utilize data processing and information systems in a customized and creative manner. We think that we have succeeded in this task."

Virtually every desk in the trading facility is a fully functional work station consisting of an IBM Personal Computer, a single multifunctional keyboard and up to eight video monitors, plus a full array of voice communication devices.

The facility's integrated data processing and information systems architecture was built around these key components:

- IBM S/38, the main processing unit
- Series/1 video page interface
- IBM personal computer
- A Rich modular multiplexing video system
- Foxi, a foreign exchange information system manufactured by Autophon
- Interconnect Planning Corporation's telephone turrets
- AT&T Information Systems' customized Dimension telephone system
- Total Concept Inc.'s comprehensive architectural design plan

The IBM personal computer, apart from its stand-alone capabilities, emulates the variety of terminals previously needed to access in-house systems. Without the need for function-specific terminals, the traders and sales personnel can directly interact with the money market, municipal, government and foreign exchange trading systems running on Capital Markets' IBM S/38 computers as well as systems running on other equipment. The IBM S/38 has enabled Capital Markets to meet its strategic automation aim of developing systems to a highly customized level and facilitating direct keyboard input of trades and sales.

Says Peter H. Fischer, a Chemical vice president, "The ease with which data changes can be made has allowed us to develop systems that reflect the users' requirements, which are invariably dictated by a changing market environment."

To allow the trader to access information from the multiple internal bank systems using a single method of delivery, the Treasury Automation Group developed on the IBM Series/1 the data page manager system. The data page manager maintains up to 1,000 automatically updated pages of information, formats data received in a variety of protocols into video images and makes this available for display via the Rich video system.

In order to allow traders and salespeople to access external broker and vendor information, the customized multifunction keyboard and video monitors are connected to the Rich video switching network. This enables the replacement of a multitude of the assorted dedicated screens and individual keyboards that proliferate in other trading environments.

John R. Cito, assistant vice president responsible for telecommunications planning for the project, notes that the Rich switch allows multiple access to the various incoming information services and is one of the largest and most complex systems installed by Rich anywhere to date. The switch's convenience is akin to the ease and variety of selection made possible by a cable television service. The switching system constantly monitors data flow to optimize utilization and reduce the contention between input and output sources.

Chemical is the first financial institution in North America with Foxi, a foreign exchange information system produced by the Swiss telecommunications company, Autophon.

Foxi allows the traders to maintain both spot and forward currency rates, and automatically calculates cross and concurrent deposit rates. It also permits the facility to calculate rates for "broken" (between quarter-end) dates, allowing Chemical to quote market rates faster and more accurately. In combining single-key function input with a video-page method of data display, the system provides lightning-fast response, which is largely due to its number-crunching power. Because it can do extrapolations so quickly—in 2.7 seconds versus two to three minutes the old way—quotes for customers are updated faster.

"Foxi ensures a level of rate conformity within the trading room, and also maintains and automatically updates information available to other institutions via external information sources," explains Assistant Vice President Brian R. Slater, manager of technical support for the Treasury Automation Group.

In a business where even split seconds can count heavily and where decisions ride on the trader's familiarity with a wealth of information from a multitude of sources, the system's instant response contrasts sharply with that of the desktop calculator that often constrains other traders. "By the time you have done the calculations manually," Mr. Slater notes, "your quote may well be invalid."

Equally important are the voice systems.

"The telephone remains the traders' primary means of communication with their counterparts around the world; and consequently, a concerted effort was made to ensure quick and reliable voice communication," says Kenneth Ringel, vice president of Chemical's Telecommunications Department.

American Telephone & Telegraph Information Systems Inc. has provided the Capital Markets Group with the most modern telecommunications system available. AT&T's Dimension telephone system is a specially tailored system that will grow with the Bank's needs and enable Chemical to handle both present and future volumes of calls. Also, the Dimension system's speed-calling feature enables the traders to place calls to frequently dialed numbers more quickly.

Other highlights of the Chemical trading room include:

- New low-profile, computer-reprogrammable trading telephone turrets that aid the traders in communicating quickly and efficiently with their domestic and international counterparts. The microprocessor-driven turrets are manufactured by IPC Communications, Inc., a Greenwich, Conn., telecommunications company with extensive experience in trading applications. Through the alternate talk path feature of the system, traders are able to conduct two conversations at once with parties based in separate locations. Via a distributed control design, the turret system provides fail-safe reliability.
- An intercom system that facilitates broadcasting and person-to-person conversations on the trading floor.
- A design plan that melds requirements for ergonomics, lighting, noise levels, sight lines and seating plans for the new trading room into a comfortable and highly functional environment. This was done by Total Concept Inc., a corporate interior design firm based in Winston-Salem, N.C., and New York City.
- An uninterruptible power system that makes Chemical's trading systems virtually impervious to surges, dips or outages that occur on primary power lines.

Still to come in the trading room are such enhancements as fiber-optics, touch screens, and instantaneous download. The room has been designed so that changes and upgradings can be accomplished swiftly.

"No one's built a system with this kind of flexibility," Mr. Herriott declares. "In fact, we spent more time conceptualizing it than we did building it."

The Capital Markets Team at Chemical

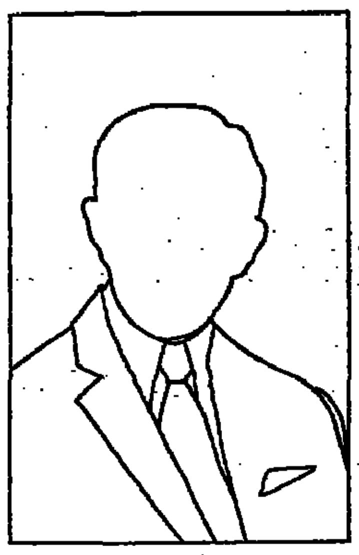
Under the direction of President Thomas S. Johnson, Chemical's Capital Markets Group is divided into 11 functional areas, each guided by a managing director, plus two staff areas headed by senior vice presidents.

The structure of the group at the managing director level is horizontal—in contrast to the vertical hierarchy that is traditional in commercial banks. "The horizontal structure is designed to promote the growth of Capital Markets business as a whole," explains Morgan B. Stark, a managing director and head of funding and investments for Capital Markets. "Each individual managing director is encouraged to look for expansion opportunities wherever they are to be found—even in areas different from those he or she directly oversees.

"The idea behind this structure is that each of us will draw on our abilities to improve the different businesses under Capital Markets. Chemical is promoting a corporate culture in the Capital Markets Group that supports both individual professionalism and accomplishment and team effort," he stresses.

The structure was adopted earlier this year, after Chemical's Treasury and Investment Banking functions were combined as the Capital Markets Group. Following are the members of Capital Markets' current management team, along with their areas of responsibility and qualifications.

- **Steven L. Edelson** heads the Government Bond Department. Mr. Edelson is a graduate of the University of Pennsylvania, where he earned a B.S. in economics, and he holds an M.B.A. from the University of Chicago.
- **Alan H. Fishman** is the senior executive vice president of Chemical New York Corporation and Chemical Bank and serves as head of Chemical's Investment Banking Division. He is responsible for specialty finance units engaged in investment banking activities. Mr. Fishman joined Chemical in 1969 after receiving a bachelor's degree from Brown University and an M.A. in economics from Columbia University, and was formerly Chemical's chief financial officer.
- **Alexander Somerville Gibson** heads Chemical Bank International Limited, Chemical's London-based merchant bank. He is a graduate of Oxford University, where he received his M.A. degree.
- **Steven J. Gilbert** is responsible for Middle Market Investment Banking and serves as president and chief executive officer of Chemical Venture Capital Corporation. He received a bachelor of science degree in economics from the Wharton School of Finance at the University of Pennsylvania, a J.D. from Harvard University, and an M.B.A. from Harvard University Graduate School of Business Administration.



- **Anthony P. R. Herriott**, senior vice president, is director of operations for Capital Markets. Mr. Herriott holds a General Certificate of Education from Brighton Hove, England.
- **Thomas S. Johnson**, one of three presidents of Chemical, is responsible for managing the Capital Markets Group. He is also responsible for the Bank's Operations Division and its Economic Research Department. A graduate of Trinity College, he holds an M.B.A. degree from Harvard. Mr. Johnson is a member of the Association of Reserve City Bankers, the Bond Club of New York and the Council on Foreign Relations.
- **Carl P. Korz**, senior vice president, is chief credit officer for Capital Markets. He is responsible for the evaluation and monitoring of credit risk for the group's activities worldwide and for liaison with other units of the Bank. Mr. Korz received his bachelor's degree from Fordham University and an M.B.A. from the Wharton School.
- **Jeffrey R. Leeds** is the group's money market economist and head of the asset and liability staff for Capital Markets. He holds a B.A. degree from the University of Michigan and an M.B.A. from Columbia University. Mr. Leeds is on the board of governors of Money Marketeers and is a member of the American Economic Association and the National Association of Business Economists.
- **Barry T. Linsley** is head of treasury and foreign exchange operations in Europe, the Middle East and the Far East. His responsibilities include funding, interbank placements, spot and forward FX dealing, securities trading, as well as money-market instruments, futures trading, and third-currency funding.
- **Donald L. Marsh Jr.** is responsible for investment banking activities related to the energy, minerals and utilities industries, including financial product design, development and marketing. Mr. Marsh received a bachelor of science degree in engineering from Princeton University and an M.B.A. from the Harvard University Graduate School of Business Administration.
- **S. Waite Rawls III** heads the Bank's New York Bond and Foreign Exchange Trading Operations. Mr. Rawls has a bachelor's degree from the Virginia Military Institute and an M.B.A. and J.D. degrees from the University of Virginia. Mr. Rawls is a member of the Executive Committee of the Primary Government Dealer Committee of the Public Securities Association and of the Foreign Exchange Committee of the Federal Reserve Bank of New York.
- **Petros K. Sabatacakis** is a managing director in charge of the staff administration area. He is responsible for planning, control, risk management and human resources in Capital Markets. Mr. Sabatacakis received B.A., M.B.A. and Ph.D. degrees from Columbia University.
- **Jacqueline R. Slater** is in the Investment Banking Division of the Capital Markets Group. She is responsible for all corporate finance activities on behalf of financial institution clients. Ms. Slater received a B.A. degree from Hampshire College in Amherst, Mass., and a Master of International Affairs from Columbia University.
- **Morgan B. Stark** is head of the Funding and Investments Unit of the Capital Markets Group. His responsibilities also include money market dealer and commercial paper activities, Capital Markets Group's operations, Foreign Exchange Advisory Service, and Money Market Portfolio Management. He holds a B.S. degree in business administration from New York University. He is vice president and a member of the Board of Directors of the Dealer Bank Association.

Some traders in Chemical's new trading room, like Steven L. Edelson, a managing director in Chemical's Capital Markets Group, simultaneously view as many as 16 video screens filled with market information. "Without so many screens," he says, "a trade could go on and you would miss it."

Global Trading Network Gives Customers Access To Chemical's Capabilities Worldwide

When the first traders arrive early in the morning at Chemical Bank's sleek new trading room in New York, the bank's trading day is already well under way. The day begins in Tokyo and follows the sun past a total of 15 cities, other than New York, in which Chemical traders are active, before beginning again in Tokyo.

The round-the-globe, round-the-clock trading capability is a modern response to market volatility, the internationalization of markets and a desire to serve customers' growing needs.

The volatility, in both interest rates and currency values in the last decade, has prompted the corporations and others with international businesses to request more financial advice and hedging capabilities in more places in the world.

At the same time, the capital markets have become increasingly international, and trading has become much more time-sensitive — with 24-hour trading in some currencies and other instruments not only a reality but even a necessity for many market participants.

Finally, Chemical's Capital Markets business depends first and foremost on staying close to its customers and their needs — wherever those needs may be. Many customers are interested mainly in trade-related finance — and in limiting their foreign exchange risk and interest rate risk from the time an import or export arrangement is signed to the time the goods are paid for. Other customers have turned to the international capital markets to borrow money at a slightly lower interest rate or to hedge non-trade-related interest rates or currency risks.

As a result, the Chemical trading network now comprises 15 locations outside the United States in which Chemical traders provide high-quality, sophisticated trading capabilities for the bank, its affiliates and its customers. Based in branches of Chemical Bank, Chemical Bank of Canada, and Chemical All-States Ltd. in Australia, the trading facilities are geared to serve the local needs of international customers.

Outside of New York, the major trading location is London, where more than 65 Capital Markets employees make spot and forward markets in the major international currencies and a secondary market in Eurodollar bank certificates of deposit. Chemical also has a seat on the new London International Financial Futures Exchange. In addition, Chemical Bank International Ltd., Chemical's merchant bank, trades money market instruments.

Managing Director Barry T. Linsley, who is in charge of Chemical's trading facilities outside North America, notes that Chemical's London trading room has grown from 11 people and an insignificant market share in 1977 to the current size and the reputation of being one of the top three foreign exchange trading banks in London.

Euromoney magazine, in fact, said last May in an article on foreign exchange trading: "In the interbank market, Chemical Bank is the undoubted star." The magazine added: "No other bank scored well enough to be included in all four major currencies." Foreign exchange capabilities, Chemical has found, are near the top of what international bank customers want.

One Chemical service offered in London is a desk of more than a dozen traders who look after customers' foreign exchange needs full-time. "The success of that service has enormously contributed to our growth," Mr. Linsley explains.

Chemical also offers complete spot and forward trading in the major international currencies in Frankfurt and Zurich. Frankfurt has 17 employees in its Capital Markets area, while Zurich has 11.

Branches in Paris, Milan and Madrid provide trading in the local currencies of France, Italy and Spain on a spot basis. In addition, the Paris branch of Chemical Bank offers forward French franc and dollar transactions. The Capital Markets staff in the three branches totals 14.

Chemical's branch in Bahrain, with six traders, deals in the major European and Arabian Gulf currencies on a spot basis, and offers some forward transaction as well.

In Asia, Chemical has trading capabilities in six branches and one affiliated company. Chemical offices in the three major markets — Tokyo, Hong Kong and Singapore — trade in all the major international spot and forward currencies and are active managers of money market positions as well as servicing customer needs in both foreign exchange and money markets.

Joseph P. Bauman, Chemical's vice president in charge of capital markets in Asia, based in Tokyo, notes that each major center is also developing individual areas of specialization. In Tokyo, the 11-member Capital Markets unit last month became one of the first foreign-based staffs to underwrite Japanese government bonds; Chemical is one of only seven foreign banks that are part of the government bond syndicate.

In Hong Kong, Chemical's staff of 14 has been a leader in using financial futures in the management of its money market book, as well as an aggressive player in the local Hong Kong dollar market. Chemical's eight-person trading staff in Singapore is adding to its expertise in interest rate risk management by building its foreign exchange capabilities, as well as managing Chemical's membership on the new Singapore International Monetary Exchange (SIMEX), where the Bank is among the market's most active traders.

Chemical's branches in Asia also include offices in Manila, Seoul and Taipei, each with its own trading operation. The Taipei branch is especially known as a market leader in the local currency money market and foreign currency activities.

Chemical All-States Ltd., a joint venture between Chemical and the All-States Group in Australia, provides trading and sales of both foreign exchange and local currency securities in Melbourne and sales of securities from Sydney. The 10-person Treasury staff is fully integrated with Chemical's Capital Markets Group network, serving as the bank's operating arm in the Australia market.

Finally, coming back around the globe to North America, Chemical has a trading location in the Toronto headquarters of the Chemical Bank of Canada. The subsidiary's five traders offer Canadian and U.S. dollar spot and forward foreign exchange services, financial futures hedging, currency and interest rate swaps, and a full range of government and bank money market instruments.

New Trading Room Shows Commitment, Says Johnson

Continued from page 1

Another is that we are big enough in size to be worldwide in scope but small enough to be quite centralized in the management of our balance sheet and our interest sensitivity. That gives us opportunities in taking risk and arbitrage positions, for example, that we would not as easily have taken if we were a different size.

In fact, I believe one of the great competitive advantages we have lies in the interplay between a large bank, a centrally managed balance sheet and our desire to serve clients in imaginative ways. Because with a large balance sheet, each day there are thousands and thousands of asset and liability transactions with different maturities, different currencies, different instruments. With the right kind of human engineering and information technology, the opportunities to utilize that market presence and capital base in conjunction with investment banking-type products are inestimable.

And finally, our size and capital strength have enabled us to build tremendous trading and distribution capabilities. We've moved to the top ranks in market share in a lot of important securities products and now have the ability to be fully competitive in all of our important market areas.

Q: *How has Chemical built its capital markets business?*

A: Chemical set up a Treasury Division in late 1979, recognizing that it was important to have all of our activities related to the money market under one roof so they could be managed in harmony with each other. At that time the international funding and foreign exchange activities of the bank were combined with the domestic funding, bond trading, and investment activities.

Since that time, we have taken a number of important steps. We have entered the futures market. We have established an arbitrage department. We organized our funding activities to achieve better coordination on a moment-by-moment basis around the world. We have established extensive sales forces to complement both our trading activities and the issuance of our own liabilities.

We upgraded significantly our corporate foreign exchange activities, particularly in New York and London, to the extent that we are now considered to be one of the most important trading banks in the world in a number of currencies. We established control systems, and have had a very extensive automation program, which is built on a modular basis to deal with all sorts of securities currently in existence or yet to be invented. We have established training programs that have been very helpful to use in developing people who can help us accomplish our goals. And we put heavy emphasis on competitive compensation opportunities for our professional people.

The final couple of steps that are terribly important are the establishment last year of our Investment Banking Division, which pulls together lots of the activities that we are engaged in and are moving into in the investment banking area, and the establishment of this new state-of-the-art trading room.

Q: *The capital markets area has become central to commercial banks. What brought this about?*

A: In the late 1970s, with increased rates of inflation and the consequent rapid run-up in interest rates, management of interest sensitivity and trading ability in large banks became very important. It also created tremendous opportunities for banks to earn money by being competent traders and distributors of securities at a time when our customers likewise needed lots of help. This has accelerated in the last four years, and capital markets activities are now central to any large financial institution's success.

I should also say that one particular element of the capital markets, namely foreign exchange, grew very rapidly in importance to banks even before that period.

Q: *How much has Chemical committed in building its new trading facility?*

A: Roughly $30 million up front, plus the incremental occupancy cost, which is not insubstantial, of having the trading facility located on Park Avenue in Manhattan rather than where one might more traditionally have been inclined to put it. That investment is evidence of the conviction held by all of the top management of Chemical that our capital markets business is such an integral part of our overall longer-term strategy in the financial services business.

Q: *What changes can you see looking ahead two, three, or five years out?*

A: I think the changes fall under a number of categories.

First is continued innovation, which is central to servicing our capital markets customers. After all, trading activities throughout the financial markets are geared in very large part to solving problems that people have in the area of finance and facilitating the most efficient movement of money in its various forms from the people who can own capital to the people who need it. We deal with volatile economic, financial and monetary circumstances, and we deal increasingly in international markets. Change is a way of life and change, in fact, is what provides not only challenge but also opportunity. With our new facilities, we are in a better position to help our customers take advantage of those opportunities.

The second area is technology. The revolution that has been going on in telecommunications and computing is by no means over. Our new trading room, for example, brings us very close to the point at which traders will be able to program almost artificial intelligence. They will be able to execute trades when certain circumstances that they've predefined appear in the marketplace. The machine will control the limits and so forth, and will alert the trader to execute trades quickly when the right circumstances come up.

Another aspect of technology, cost control, is important. There's a tremendous amount of operating expense related to the trading and distribution of financial products. It's going to be necessary for us to reduce or hold down the cost of our processing. We are going to have to keep working on systems to ensure efficient execution and distribution.

And let me reiterate that a very major change which really relates very closely to our overall corporate strategy at Chemical is the further integration of the efforts of the people in the Capital Markets Group with the people in Personal Banking Services on the one hand and the World Banking Group on the other hand. The major reason we have devoted such a tremendous amount of investment and effort at Chemical to the development of the Capital Markets Group over the last few years goes beyond just the opportunity to make some money in those markets *per se*.

We believe that the line between investment banking and commercial banking will inevitably become increasingly blurred, and that it will be not only desirable but indeed absolutely critical that Chemical Bank be able to provide a wider line of financial services to its clients, both retail and corporate. This is why we refuse to compromise on all of the elements that go into being the best we can at trading and distribution and all of our investment banking areas. We have to pass a test in the markets every single day, and we love it.

UK NEWS

TUC admits difficulty on labour law defiance

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE Trades Union Congress (TUC) is openly acknowledging that its policy of outright opposition to the Government's labour laws is in serious difficulty. This frank admission is likely to be seized on by unions trying to change TUC policy on the issue, and by the Government as growing proof of the success of its legislation.

The TUC's statement comes in a confidential policy paper prepared for its employment committee. The document takes account of the number of recent legal cases against the unions in advance of a full review of unions' experience with the Government's labour legislation which the TUC will carry out in January.

TUC opposition to the labour laws – the 1980 and 1982 Employment Acts and now the 1984 Trade Union Act – was laid down at a conference of trade union executive committees in April 1982 at Wembley, in north London.

The TUC document examines in detail injunctions sought against unions under the 1984 Act – including the Austin-Rover case – on pre-strike ballots, the votes on continuing the closed shop required under the 1982 Act, a growing number of unions going against TUC policy by appearing on industrial and employment appeal tribunals, and the increasing pressure from unions to take up the offer under the 1980 Act of government funds for union's postal ballots.

Faced with these developments, the TUC paper says it is apparent that "the Wembley conference policy on responding to the Government's trade union legislation is under pressure."

Though this is the furthest the TUC has yet gone in implying that its policy towards the law is becoming unworkable, the TUC is still a long way from altering its stance – though this is a further significant step in that direction.

The TUC paper argues that though the number of injunctions against unions is increasing, there are still relatively few "compared to the number which could potentially be taken." and stresses that any change in policy "could lead to their widespread incidence."

Similarly, the TUC argues that any relaxation of present policy of opposing ballots on maintaining closed shops "would almost certainly open the floodgates."

BL cracks down on strikes

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

UNOFFICIAL strikers could be dismissed on the spot by Austin Rover, BL's cars division, in moves being taken to toughen its action against unconstitutional action.

The state-owned concern, seems determined to take maximum advantage of the collapse last week of a pay strike by its 28,000 manual workers.

Letters went out this weekend to the homes of all 5,000 workers at the Cowley assembly plant pointing out that more than 150 unofficial stoppages so far this year had made the factory the black spot within the group.

Austin Rover will be pursuing contempt action in the High Court today against the Transport and General Workers' Union and Tass, the craft section of the engineering union, for allegedly not withdrawing their strike call and ordering a secret ballot of workers as required under the recent Trade Union Act.

The decision to press on with legal action, even after the strike has ended, thrusts Austin Rover under the political spotlight.

Mr Tom King, Employment Secretary, in a weekend speech, cited the company as the most spectacular sign that the Government's controversial Act was proving effective. He talked of "a quiet revolution" in industrial relations.

The transport workers, however, Britain's biggest trade union, has placed itself at the head of the apparently wilting opposition to the Act. Mr Moss Evans, general secretary, has declared publicly that he will not sign cheques to pay punitive fines that might be imposed in the Austin Rover case.

The vigour of BL's High Court action could influence both the size of the fine and how quickly the court moves towards sequestration of union assets in the event of non payment.

Pressure to restart talks for coal peace

By John Lloyd, Industrial Editor

SENIOR UNION leaders meet at the Trades Union Congress headquarters today amid clear signs that centre and right-wing officials are prepared to press strongly for a fresh peace effort to end the coal strike, now entering its 38th week.

Mr Norman Willis, the TUC general secretary, will present a report on the dispute, and may himself propose new moves aimed at breaking the deadlock in the strike.

Lacking that, however, the centre and right on the finance and general purposes committee will argue that the miners' union and the National Coal Board should resume talks on a new "Plan for Coal", which would take into account the lower market demand for coal since the plan was first drawn up 10 years ago.

The committee will have before it a letter from Mr John Lyons, leader of the power workers' union, calling for a complete revision of the TUC's formal position of "total support for the miners."

There are two main problems, however. Neither the Government nor the coal board wants talks based on a Plan for Coal, and ministers believe that the drift back to work by miners will soon break the strike.

The miners' leaders are due to meet senior TUC leaders tomorrow. The do not expect to be greeted with demands for a change of heart and are instead pressing Mr Willis to hold talks with Dutch trade union leaders to help place an embargo on coal movements from Rotterdam to British ports.

Regions to benefit from £100m industry programme

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

A £100m programme to assist the setting up of new firms and under take environmental projects in steel, textiles and shipbuilding areas of the UK will be announced in London today by Sig Antonio Giolitti, the European Commissioner for Regional Policy, and Mr Norman Lamont, Minister for Industry.

Most of the money – £89m – will come from the Community's regional development fund (ERDF) with the Government adding another £12.5m.

The announcement, which will be made just two days before the Government unveils its regional policy, is completely separate from the refashioning of regional policy in Britain.

The aid for the areas which still contain a lot of industry facing structural problems is the second tranche to be made available to Britain. The UK received £29m in 1980, most of which was committed to environmental projects such as derelict land clearance.

Today's announcement covers a much larger amount and is almost certain to be followed by a further infusion of ERDF assistance within the next year or two.

Britain has done extremely well out of the present allocation of aid, signed in Brussels 12 days ago. It has received almost all the money allocated for shipbuilding areas and some 40 per cent of that for textile areas.

Today's package is part of a Community-wide allocation of aid. Energy producing areas are to be helped in Greece, textile areas in the Netherlands, textile and steel areas in France, and some shipbuilding areas in West Germany.

The aid will not go to firms in the textiles, shipbuilding or steel industries themselves, but to concerns setting up or expanding their businesses in these areas in other industries. It will, therefore, be concentrated on most of South Wales, Strathclyde and Tayside in Scotland, Corby, Merseyside, West Yorkshire, parts of Humberside, and around Middlesborough, Sunderland and Newcastle.

Two-thirds of this assistance will go to small firms and the rest to environmental projects. The aid to companies will enable them to buy consultancy and other services to help them identify their markets more closely or make their operations more profitable.

The amount each concern can receive will be fairly small, ranging between £1,500 and £7,000, and the Government expects between 20,000 and 30,000 applications for assistance before the project runs out in March, 1989.

British Nuclear Fuels 'ripe for public flotation'

BY WILLIAM DAWKINS

BRITISH NUCLEAR FUELS (BNFL) the state-owned nuclear fuel service group, has told the Government that it believes the time is ripe for the concern to be privatised.

Mr Con Allday, the company's chairman and chief executive, has made it public that he would welcome the public sale of up to 49 per cent of the group's shares in the next year to 18 months.

A spokesman for the Department of Energy said yesterday there were no present plans to privatise BNFL, although the group's founding statutes do allow for a minority stake eventually to be sold to the public.

Mr Allday hopes BNFL will achieve a market value of £500m.

Taxable profits rose from £54.6m to £70.8m in the year to last March on turnover up from £451.1m to £459.5m. The existing order book suggests that profits could rise to £80m pre-tax on sales of about £550m in the present year and climb to at least £100m on turnover of £800m by 1990, according to BNFL estimates.

Last year, BNFL concluded an agreement to share the £500m-plus costs of disposing of nuclear fuel left at its Sellafield works – formerly Windscale – in the years before the group was established in 1971.

BNFL will share some of the burden, but the major part of the disposal costs will be split between the Ministry of Defence, the UK Atomic Energy Authority and the electricity boards, which all used the site before BNFL's foundation.

There are, however, still two obstacles to a public flotation. Incidents at Sellafield have led to prosecution proceedings, and a heavy capital spending programme has left BNFL with heavy borrowings. Last March debt stood at about £400m.

Stock Exchange sets out draft code

BY JOHN MOORE, CITY CORRESPONDENT

THE STOCK Exchange has issued draft proposals for dealing with potential conflicts of interest in the British securities market in an effort to prevent future abuses.

They mark a new effort by the Stock Exchange to deal with possible trouble which might arise in the restructured stock market as firms combine to roles of broking with that of market making.

Among the proposals, the exchange says firms should ensure that all handling of clients' business is fair and consistent with best market practices and firms should disclose if it, or any of its members, has a material interest in a proposed transaction before any deal is carried out.

In addition, it is proposed that a Stock Exchange firm must disclose whether it is acting as a broker for the client, as a principal for its own account, as a market maker, as a broker for some other person or as a broker for both the client and any other person.

The Stock Exchange has warned that the combination of broking, fund-management and market making within the same firm – so-called "triple capacity" – raises a further conflict of interest.

UK NEWS

Fiat returns to profit in Britain

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DRASTIC SURGERY by a new management team enabled Fiat's UK subsidiary to turn a £4.3m loss for 1982 into a net profit of £8.68m last year.

Fiat Auto UK cut the number of employees by 20 per cent, from 704 to 557, moved to more modest headquarters in Uxbridge and disposed of the Lancia franchise in Britain to the Heron group.

Even so, the company still ended 1983 with an accumulated deficit of £80m (down from £89m at the end of 1982) and its operations financed mainly by £80m of unsecured, subordinated loans provided by its Italian parent since June 1981.

Sig Pietro Quaglia, put in by Fiat as managing director to sort out the UK company, received £67,000 in 1983 against the £34,000 his predecessor was paid the previous year.

Compared with Fiat UK, Renault's British subsidiary ended 1983 with relatively modest accumulated losses of £10m, up from £5.5m a year before. However, Renault UK's position worsened even more than at first glance because the loss of £3m in 1982 took account of the £1.098m cost of moving to a £12m new parts distribution centre at Swindon.

M Patrick Faure, called back to Renault's Paris headquarters recently, received £49,317 as managing director, up from £32,172 for 1982.

The other three leading import companies are all independent of the manufacturers. VAG (UK) is owned by the Lonrho group and distributes Volkswagen and Audi cars as well as VW and MAN commercial vehicles.

It is also heavily involved in the money markets. At the financial year-end VAG had commitments in foreign currency markets totalling £291m (£24.9m at the same time in 1982) relating to "the future purchases of vehicles and parts from West Germany."

VAG's report showed that it increased the number of employees last year, from 778 to 858, doubled its dividend payment to its parent company and commited itself to buying the freehold of its Milton Keynes headquarters.

Mr "Tiny" Rowland, chairman of Lonrho and VAG, took no pay from VAG. The managing director, Mr Michael Heelas, received £62,000 in the year to September 1983, up from £54,000 the previous year.

Volvo Concessionaires is owned by the Lex Service group and last year also substantially increased the dividend paid to its parent: by 30 per cent to £31m.

Volvo changed its managing director in August last year. Mr Jim Maxmin, who left for Thorn-EMI, received £41,000 for the eight months, an annual rate of £61,500. Mr Peter Turnbull, his successor, was paid £21,000 for the remainder of the year, an annual rate of £78,000.

LEADING CAR IMPORTERS

	Market share		Turnover £m		Pre-tax profit £m		Net profit £m		Dividend paid £m	
	82	83	82	83	82	83	82	83	82	83
Nissan UK*	5.99	5.84	317.8	382.4	50.5	51.19	27.28	26.0	14.74	19.74
VAG (UK) †	5.94	5.62	407.1	514.7	18.99	20.55	20.22	20.4	14.0	28.0
Renault UK	4.13	3.51	275.6	287.2	(−3.0)	(−4.58)	(−3.0)	(−4.58)	–	–
Volvo Concessionaires	3.33	3.42	246.2	314.3	21.7	27.7	11.46	13.6	10.0	13.0
Fiat Auto (UK)	2.81	2.58	155.2	152.2	(−4.3)	9.0	(−4.3)	8.68	–	–

* Year ends July 31. † Year ends September 30. Source: company accounts

Government to launch milk marketing inquiry

BY ANDREW GOWERS

THE GOVERNMENT is to launch a full independent inquiry into the Milk Marketing Board's commercial operations, after claims from dairy companies that the board's manufacturing subsidiary, Dairy Crest, competes unfairly.

The investigation, by a team of management consultants early next year, is expected to be announced soon by Mr Michael Jopling, Minister of Agriculture. It could have far-reaching effects on the £3bn a year dairy industry, which has long seen recriminations between the board and commercial dairies such as Express and Unigate.

The decision to commission the inquiry is a key part of an agreement between the board, the ministry and the Dairy Trade Federation, intended to settle the trade's grievances.

It also emerged that Mr John Silkin, the former Labour cabinet minister, would be taking on the role of independent arbitrator between the dairy trade and the board early next year.

The three-month inquiry into Dairy Crest, Britain's largest manufacturer of cheese and butter, will report to Mr Jopling, and will operate under very comprehensive terms of reference, senior industry executives said.

Although they declined to give full details, this was thought to mean that it would be looking into issues such as Dairy Crest's access to borrowed funds and the question of whether it is really run at arm's length from the board, as the law requires.

In a series of meetings with the ministry and the board, the Dairy Trade Federation claimed that Dairy Crest was able to borrow capital on easier terms than its members could obtain, because the board did not pay tax.

Dairy companies have argued that they are at a commercial disadvantage by having to compete against a company owned by the board, their monopoly supplier of milk.

Policy doubts surface in Tory group election

BY PETER RIDDELL, POLITICAL EDITOR

THE CHAIRMANSHIP of the Conservative backbench finance committee is to be contested tomorrow evening in an indication of growing unrest among Tory MPs about the Government's response to rising unemployment.

Sir William Clark, the MP for Croydon South and chairman since 1979, is to be challenged by Mr Nigel Forman, the MP for Carshalton and one of the present vice-chairmen. Sir William is a staunch defender of the present economic strategy, while Mr Forman argues that the Government should do much more about unemployment.

Chairmen of the backbench committees have a role both in representing MPs' opinions to ministers and in public as spokesmen in the media. Indeed, Mr Forman is standing for election as chairman partly in response to a view among some Tory MPs that Sir William has been too much of an ultra-loyalist and has played down backbench doubts.

The elections each autumn for the officers of these committees provide a barometer of MPs' opinions, not only about policy but also about personalities. Every evening last week and this week during the hour between tea and cocktails, groups of backbenchers can be seen scurrying from election to election in various rooms along the main House of Commons committee corridor.

There are two rival tickets. The Tory right is organised under the auspices of the 92 Committee run by Mr George Gardiner, while the left's slate is managed by Sir William van Straubenzee and his allies.

The right was generally successful last week in ensuring that its supporters kept their posts, so Sir William is at present the favourite to win, having beaten off challenges from senior back-benchers in 1980 and 1981.

Mr Forman has been careful to distance himself from the out-and-out Tory critics of the present policy. In a speech to a party meeting in Newmarket yesterday he stressed the need for firm control of public spending, borrowing and public sector pay and a prudent monetary policy.

Large retailers cautious over Sunday shopping

BY DAVID CHURCHILL AND LISA WOOD

BRITAIN'S biggest retail stores are cautious about opening for trade on the remaining Sundays before Christmas in breach of the laws governing shopping hours.

There appeared no significant rush yesterday for retailers throughout the country to jump the gun and open for trade before any government decision to introduce laws making Sunday trading lawful.

Last week a Home Office committee of inquiry recommended the complete abolition of all curbs on shop opening hours. The Government is now studying the report and is expected to decide soon to introduce a Bill into the next session of Parliament to implement the committee's findings. This effectively means, however, that lawful Sunday trading would not be possible until the middle of 1986 at the earliest.

Some retailers, however, are poised to start Sunday trading before Christmas in areas where they feel that local authorities will not prosecute.

Habitat plans to open its two major central London stores in Tottenham Court Road and the Kings Road on the last four Sundays before Christmas. It already unlawfully opens three other stores in England and has already been prosecuted four times.

"We have no plans to open every store if the law is changed but if it does we plan to open 19 that are appropriate for Sunday trading," said a Habitat spokesman. The company will have a total of 46 Habitat stores by the end of the year.

Other retailers have yet to announce their plans but would prefer not to attract the attention of local authorities whose job it is to prosecute stores that breach the present legislation.

Many do-it-yourself stores and garden centres, which already open unlawfully where they can, are expected to continue Sunday trading. The Federation of Multiple DIY retailers said that some of its members had traded on Sunday in certain areas since 1982.

Furniture and carpet retailer Harris/Queensway said it opened a few stores already on Sunday, depending on the attitude of individual local authorities. At present it was having further discussions with local authorities to determine their attitude to further openings.

Woolworth also plans to hold talks with local authorities about further store openings. At present it opens about six stores in areas, such as Southall, West London, where local shops open on Sunday. Woolworth and a number of other retailers, including J. Sainsbury supermarket chain, are this week expected to face court proceedings after action by the Kensington borough council over the stores' policy of late-night opening during the week.

Cheaper plastics spark fears of European price war

BY CARLA RAPOPORT

PRICES FOR a variety of plastics have fallen markedly in the last few months, fuelling fears that a damaging price war may be under way in the European plastics industry.

Prices for linear and low-density polyethylene, a key plastic for the packaging and construction industries, have fallen about 12 per cent in the last eight weeks and about 27 per cent since the beginning of the year.

The recent fall in prices has somewhat confounded the industry, as demand for plastics in Europe remains fairly buoyant.

The price erosion is believed to be the result of the twin problems of overcapacity in the industry and the emergence of competition from Saudi Arabia's new petrochemical industry.

The major manufacturers of commodity plastics were reluctant to comment publicy on the downward trend in prices. Plastic processors, however, were more outspoken.

Mr Ivan Gootch, chairman of the Packaging and Industrial Film Association, said: "It is the old, old story. The polymer manufacturers can not get their act together.

"There is a bit more capacity now, so there they are, slugging it out for market share."

He said that in volume terms, demand for plastics was increasing, but many companies were keeping their stocks at a low level in anticipation of Saudi Arabian plastics.

Material from Saudi Arabian's new petrochemical industry, based on the country's own natural gas, is now beginning to be sold in Europe.

Nearly all of the country's seven major petrochemical plants are expected to be fully onstream by early next year.

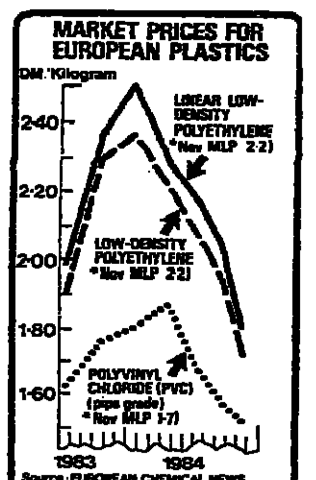
The Saudis have consistently stressed that they do not intend to undercut market prices. Nonetheless, it is general practice to offer some inducement to customers when a new supplier enters the market. Such inducements are already believed to have been offered in pre-marketing exercises for Saudi products.

In West Germany, major plastics manufacturers are believed to be consulting each other on methods for halting the erosion of prices.

These companies, however, have to tread carefully because the EEC last year slapped a charge of unfair pricing collusion on the major producers of polypropylene.

Neither manufacturers nor customers are sure how far the fall in prices will go. "We'll know when Saudi Arabia is fully on stream," said Mr Gootch. "We'll have an uncertain market through the spring at least," he said.

MARKET PRICES FOR EUROPEAN PLASTICS



Source: EUROPEAN CHEMICAL NEWS

● Volume sales by the UK engineering industry are set to rise by 6 per cent in 1985, says the Engineering Employers' Federation. Electrical and instrument engineering is expected to set the pace, with a 7 per cent rise, while mechanical engineering should lag with a rise of only 3 per cent.

The forecasts are based on the assumption that the miners' strike will be over by the end of this year. Indications are that output growth will slow in 1985, and that in mechanical engineering the volume of order intake will fall slightly after the mid-year.

British groups could succeed in reactor market, inquiry told

FINANCIAL TIMES REPORTER

BRITISH COMPANIES could compete successfully in the world market for pressurised water reactor (PWR) components, Mr Ted Pugh, managing director of the National Nuclear Corporation, has said in evidence to the Sizewell B inquiry.

He said success depended to a large extent on whether approval was given for the UK's first PWR power station at Sizewell on the east coast of England, and whether subsequent reactors of the same type were built in Britain.

Mr Pugh, and other corporation witnesses, said they did not believe there would be costly last-minute change in the proposed design of the Sizewell reactor as a result of present development work in Japan.

They also disclosed at the inquiry last week that two of three contracts with the Central Electicity Generating Board (CEGB) for Sizewell B work were still unsigned, and that the continuing delay of the project was costing £8m a year.

Mr Pugh said during two days of cross-examination that he believed there would be export opportunities for both British PWR expertise and components manufacture. The former could be realised without the building of a PWR in the UK. The latter would depend on construction of at least one plant and preferably a series.

The UK nuclear industry needed stability which could be provided by a firm commitment to a programme of PWRs, said Mr Pugh. The economics of building several reactors were attractive. The corporation was building up wide-ranging knowledge of the PWR and could obtain contracts overseas for purely design and analysis services.

Mr John Blake, vice-chairman of the Town and Country Planning Association, suggested to Mr Pugh the UK might find it hard to win export orders in a market already strongly contested by companies in the U.S., Canada, France, West Germany and Japan.

Mr Pugh said he accepted that it would not be easy to achieve a breakthrough, but he had confidence in the ability of the corporation and UK manufacturing industry to succeed.

Investment in manufacturing plant for the bigger components would be unlikely to proceed without a commitment to future PWRs in the UK, but some companies were already producing and exporting the smaller components.

Mr Pugh said the service contract with the CEGB for personnel was already signed. Year-long negotiations over the contracts for safety analysis and design and engineering of the nuclear steam supply system were still continuing, however.

The Sizewell inquiry opened nearly two years ago and has become Britain's longest public investigation. Tomorrow the mayor of Harrisburg is due to arrive in Britain, ready to give evidence to the inquiry about the aftermath of the Three Mile Island accident in the U.S. in 1979.

Companies to fight 'squeeze' on drugs

BY OUR INDUSTRIAL STAFF

BRITAIN'S DRUG industry intends to mount a big campaign aimed at reversing what it sees as a highly destructive attitude toward it by top government ministers.

The move will mark a change in the industry's public posture, which has been prompted by recent moves both to curb the industry's profitability and to restrict its ability to sell brand-name drugs to the National Health Service. Both moves were aimed at reducing the NHS drugs bill of about £1.2bn a year.

"They are trying to squeeze us to make up inefficiencies in the NHS," said Mr Ron Halstead, chairman of Beecham, one of the UK's largest drug companies. Mr Halstead said that his company along with several others, intended to take an active role in pressing the Government to restore profitability levels in the industry.

He said they would be making representations to Mr Norman Fowler, Social Services Secretary, both individually and through the industry's trade association.

Further, the Association of the British Pharmaceutical Industry (ABPI) intends to mount an extensive advertising campaign on the issue early next week. The campaign is being prepared by J. Walter Thompson, one of the leading international advertising companies.

Although space has been booked in national newspapers, the campaign may be delayed slightly because of last-minute reconsideration of its content. The ABPI is believed to be spending around £500,000 on the campaign.

The ABPI declined to elaborate further on these plans, but it did add: "We feel these measures (to restrict sales of brand-name drugs) are so ill conceived that, when patients and doctors fully appreciate their implications, the Government will have to have a rethink."

Jobless total 'set to fall substantially'

By Michael Prowse

BRITISH UNEMPLOYMENT is set to fall substantially over the next five years, according to the City University Business School's autumn economic review.

By next June, the report suggests, unemployment will have fallen to just under 3m and by June 1986 to just over 2.5m. By 1990 unemployment could be 1.5m

In the early 1990s, the demographic pressures at present boosting labour supply will be reversed and labour shortages could emerge.

The optimism on unemployment is based on an assumed close link between wage moderation and job creation. The business school argues that a new academic consensus is emerging on the need to restrain real wage growth in order to reduce unemployment.

Substantial reductions in unemployment are possible, without actual cuts in real wages, the review adds.

THE ARTS

Cosi fan tutte/Coliseum

Rodney Milnes

This is already a good revival, and should develop interestingly over the weeks to come. It is firmly based. Peter Robinson's carefully judged tempos take due heed of the house's size, but miss little of the essential fizz, and the orchestra is on good form. And it is interesting to see John Cox's production, one of his very best, so soon after Peter Hall's both at Glyndebourne and on tour: by allowing some good laughs (rather unfashionable nowadays) in the first act, Mr Cox makes his distinctly darksome second act even more unsettling. The Hall version is more even in mood; both approaches are absolutely valid in this Hydracephalous opera.

Last Saturday the cast was perhaps unduly dominated by the three who had sung their roles before: by Geoffrey Chard's dependable, kindly Alfonso; by Meryl Drower's deliciously common, beautifully sung Despina; and above all by Felicity Lott, whose Fiordiligi is the one against whom I now tend to measure all others. Not only does she sing with exquisite sensibility and musicianship (and with added strength, now, in the lower register), but she presents a character of extraordinary depth; it is her awareness of what has to be learned at this School for Lovers, her wary yet tender acceptance of the facts of amorous life, that makes the second half so affecting. This is an interpretation to savour again and again.

The other performances are as yet less tightly focussed. In the case of Jean Rigby's Dorabella, it is a matter of vocal focus, of fining her creamy tone into the centre of some notes towards the top; her flighty playing is enchanting. Both Adrian Martin (Ferrando) and Christopher Booth-Jones (Guglielmo) sing soundly; Mr Martin's "Un'aura amorosa" is firmly and brightly projected, but some insecure moments in "Tradito, schernito" made one regret the cutting of his second aria less than usual.

The behaviour of both Officers is so indefensible that it can be hard to make them sympathetic. Mr Martin cleverly gets round this by making Ferrando amiably stupid, but Mr Booth-Jones's Guglielmo is so bright that his dour demeanour when he's received his just deserts makes him dangerously like an ill-tempered prig. Something more philosophical, even remorseful, is needed, and this is just the sort of nuance that could change during the run.

A word of praise for Roger Butlin's set, so deceptively simple yet so brilliantly organised in its definition of space in a large theatre. It suggests intimacy. Something, though, has gone seriously wrong with the masking on the prompt side, not to mention the lighting.

Renata Scotto/Barbican Hall

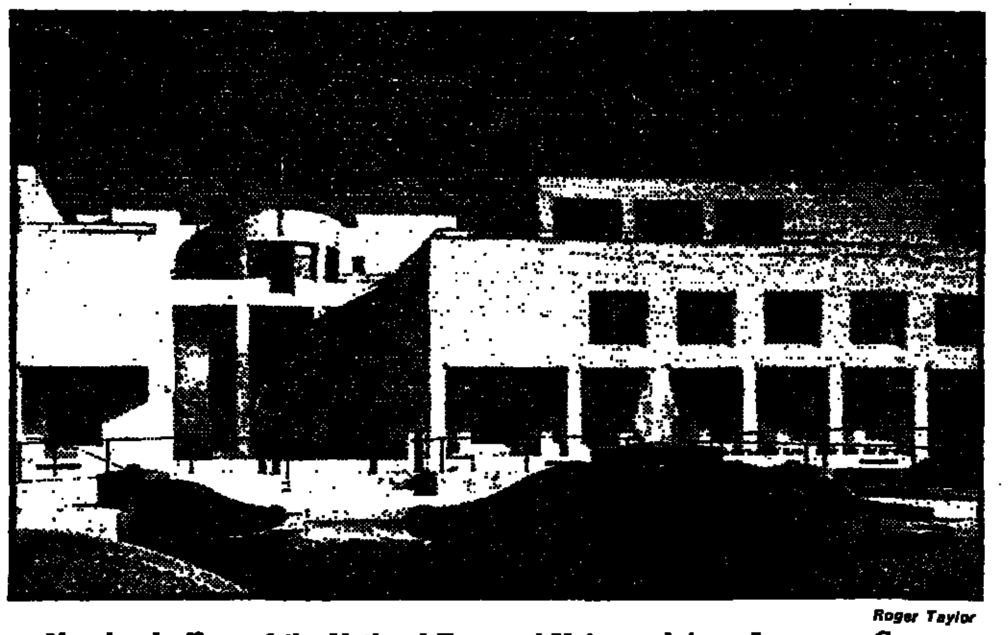
Rodney Milnes

A dispiriting evening. Renata Scotto is a marvellous singer, justly famous as an interpreter of the music of her homeland, especially that of Verdi and Puccini — her Butterfly, twice recorded, is a movable classic. What on earth can have induced her to devote her contribution to last Friday's concert with the English Chamber Orchestra to Handel and Mozart, heaven alone knows. Her great strengths — sumptuous yet expressively coloured tone, fine sense of legato line, cast-iron technique, all unimpaired over a career of more than thirty years — were here submerged in interpretations of mind-boggling wrong-headedness.

Both "Lascia ch'io pianga" from *Rinaldo* and "Piangero" from *Giulio Cesare* were delivered at an elephantine pace meekly followed by the conductor, Michael Tilson Thomas, with — unbelievably — the da capo repeats even slower than the A-sections. Mme Scotto's glutinous, self-indulgent phrasing missed the *Affekt* of each aria by miles, not to say by a topical three centuries: the essential simplicity of the ingenue Almirena was swamped in verismo swooning; and the irrepressible playfulness of Cleopatra, surfacing even when in direst straits — as when in the B-section of "Piangero" she threatens to return and haunt her treacherous brother —was hurled out as if by Lady Macbeth in a particularly nasty temper.

Mozart fared little better. The phrasing of "L'amero" from *Il re pastore* was far too coy and artificial for this touching affirmation of love, and if interpretation and material came closest to coinciding in Vitellia's Rondo from *La clemenza di Tito*, then the scale of the emotional crisis as depicted was nearer Giordano than Mozart. It was depressing to see so much talent so grievously misdirected. Perhaps one should blame the conductor, who, however, seemed more concerned with leading not only the applause after each item, but also a nauseating outburst of indiscriminate kissing: even the gentleman who brought the diva her bouquet got a peck, and he looked as embarrassed as I felt.

The vocal numbers were framed by Mozart's Paris Symphony, winningly played and Beethoven's 8th, in which the ECO woodwind covered themselves with glory. Mr Thomas executed two neat little jumps into the air in the first movement exposition, but failed to repeat them in the recapitulation. Vaguely to wonder why seemed the only proper response to this unworthy occasion.



Roger Taylor

New head offices of the National Farmers' Union and Avon Insurance Group —"brilliantly planned creation"

Architecture

Colin Amery

A masterpiece of an HQ

Lying almost at the centre of England, just outside Stratford-upon-Avon, is one of the most remarkable post-war company headquarters. It is the new head offices of the National Farmers' Union and Avon Insurance Group, and has been designed by Robert Matthew, Johnson-Marshall and Partners —a large multi-disciplinary practice. The principal architect/designers responsible for the scheme are Alan Crawshaw, David Lloyd Jones and Walter Negall.

This firm of architects, normally known by its initials RMJM is one of the great and successful commercial practices that grew out of the explosion of public development in Britain after the Second World War. Their work is always distinctive and careful — New Zealand House and the Commonwealth Institute in London; York University; hospitals, airports, power stations and work in Suez, Saudi and Singapore. One of their more memorable commissions is the Civic Offices at Hillingdon, West London, where an office plan is wrapped up in the bricks and tiles of conventional suburban architecture.

At Stratford-upon-Avon these architects have achieved a rare *tour de force*. They have created a new kind of corporate HQ that assumes the mantle of a great country house. The client wanted something that would grace a rural site, not modestly, but as a formal and dignified expression of corporate success. Like an 18th-century Whig seat this new office speaks the language of restrained power in its architecture.

The new offices are designed as a long formal block approached along a planted avenue. At the centrally placed entrance the drive divides around a circular fountain. All this is very grand. Once inside it is even grander. The main reception hall is three storeys high ringed by galleries and circular columns.

This hall is the heart of the scheme. On plan there are two longitudinal ranges of offices and between them, like a filling in a sandwich, are courtyards and a swimming pool. The simple symmetry of the plan is a response to the client's wish for offices with daylight and opening windows. This sensible demand limited the depth of the office plan allowing almost every office worker to enjoy a view of plants, trees or water.

There are four floors of accommodation, with senior management enjoying the top floor, two floors of offices and training areas below and a ground floor (in fact lowered one metre into the ground) for recreational, computer suite and services. Because you enter the main hall on the first floor by walking up a gently rising ramp it is natural to use the fine double flight staircase instead of relying on the lifts to reach the offices.

Because the plan is so logical and symmetrical the architects have been able to provide elegant and pleasing vistas throughout the whole complex. From the main hall there is a particularly attractive axial view towards the pool, enhanced by the well-placed sculpture. Public spaces as well as the offices are of a dignified scale: a double height restaurant overlooking the gardends is delightful to use.

The clients, NFU Mutual and the Avon Insurance Group, had been occupying four older premises in Stratford. Their decision to build a major headquarters outside the town meant a psychological adjustment to the idea of campus life. Their decision to build a formal, classical, single edifice helped to create a kind of new corporate solidarity and a very clear identity for the firm. The architects choice of style—a modern classicism—also helped to consolidate the conservative company image.

It would be wrong, however, to suggest that this is in any way an old fashioned, grand formal headquarters. It uses older conventions but the result is spacious and relaxed. There seemed no doubt at all that the people working there thoroughly liked it and were feeling well served by the architecture.

Outside the front and garden façades are classical in their disposition but somewhat less certain in their detailing. The whole block is clad in a Bath stone but there are no details or mouldings. At the main entrance there is a suggestion of a portico and a small pedimented entrance but nothing as risqué as a capital or a cornice. The overall impression is rather flat — the whole thing, from a distance could be rendered or painted concrete. On the garden side the recessing of windows behind the colonnade and the use of sun trellises and balconies gives the clear cut planar quality a slight break.

I think this is a brilliantly planned creation. In fact it is one of the very best offices I have seen and so it has to be judged by the highest standards. By choosing to revive a cleaned-up neo-classicism as the style the architects have exposed themselves to the risk of charges of "light-weight, post-modernism." It is only the difficulty of reviving classical decoration that they have carefully side stepped.

I suspect they felt that this was not the place to introduce a new vocabulary of colour and decoration. Instead they have reinstated many sensible architechural virtues and produced a brave, important breakthrough in corporate design in England.

Their clients should share the praise—they are the lucky owners of one of the best post-war commercial structures I have seen in this country. I hope that it will be much emulated.

National Heritage

Gillian Darley

Fyvie Castle reveals all

The National Heritage Memorial Fund has just completed its largest transaction in Scotland, the provision of over £3m towards the purchase and endowment of Fyvie Castle, its collection and 136 acres of surrounding land. As Lord Charteris pointed out, that sum, with the £425,000 given in 1982 towards the rescue of the Charles Rennie Mackintosh masterpiece outside Glasgow, the Hill House, Helensburgh, is equal to that of the Chatsworth Raphael, recently sold to the U.S. Both these houses, as far apart in style and aesthetics as in geography, are now vested with the National Trust for Scotland.

Fyvie Castle, in Aberdeenshire, an area rich in fine houses (a substantial number of which are in the hands of the Trust) is a Scottish [illegible] of the Elizabethan prodigy house. It is, however, for its richly intact late Victorian interiors and furnishings that the Castle has particular significance—with the added twist that it echoes those equally lavish English collections now dispersed, from Mentmore and Hever. It is, of course, the counterpoint of the Hill House —as eclectic and retrospective as Walter Blackie's house, built in 1902, was avant garde and without precedent.

The former is a house of great national significance and interest within the study of an epoch; the latter, though it is said that the National Trust for Scotland were, at the outset, reluctant to take it on, is a building of international stature. It is as well they were persuaded in its favour, and that the NHMF stepped in.

Fyvie is a house positively encrusted with plasterwork (some of it 17th century, some of it late 19th century "Jacobethan") and crowded with armour, tapestries, magnificent 18th century portraits and dexterous reproductions of furniture of many eras and styles. It represents Victorian historicism in full cry: the very tendency that the Glasgow School group of architects and designers were in violent reaction against. Fyvie, however, represents an unusual turn of events. Collections of this ilk were pouring across the Atlantic, with dealers such as Duveen virtually bulk buying for his American clients. Alexander Forbes-Leith turned the whole business on its head.

Born in Blackford, just a few miles from Fyvie, he had gone to the U.S. in the 1870s, with an American heiress wife. In a matter of 20 years, he was a steel magnate. President, principal owner and director of the Joliet Steel Company, he set up the Illinois Steel Company in 1890 and in 1901, with Pierrepoint Morgan and Nathaniel Thayer, he formed the United States Steel Corporation. Yet Scotland still seemed appropriate for his home and in 1889 he bought Fyvie Castle, which had been the home of a succession of four families, over a period of four centuries, each marked by a tower.

With perfect symmetry Lord Leith added his own tower (who could have resisted the impulse?) and built up a collection, the aim of which was to assert and emphasise historical continuity—which by American standards, at least, was less bogus than many. The purchases of the 1890s and early 1900s, which included some of the original contents of the house, were symbols as much as aesthetic objects; thus the armour, the 13 Raeburn portraits, the dining chairs with armorial ornament and the rest.

Fyvie Castel and the Hill House Helensburgh represent the turn of the century seen from different end of the same telescope. Charles Rennie Mackintosh brings architectural pilgrims from the U.S. and Japan, as well as Europe, pouring in to Glasgow. The Hill House, even at its present stage of partial furnishing, is much visited. Fyvie, as much as the surrounding properties in Aberdeenshire, may need more help to attract the public. It represents a case where careful presentation of the nature of the Castle and its contents, will be of the essence.

As ever the NHMF is spending our money with care and acumen yet the Trustees are sounding a dark note. Their coffers are far from full, and the demand upon them is constant. Since 1980 the Fund has performed a sur-footed balancing operation; its existence has proved, literally, invaluable. It deserves a long and sympathetic hearing from the Government when it asks for replenishment of funds.

The best of the portraits from Fyfe will be on show in the Scottish National Portrait Gallery until the house opens in May 1986. The Hill House, Helensburgh remains open, afternoons only, all the year round.

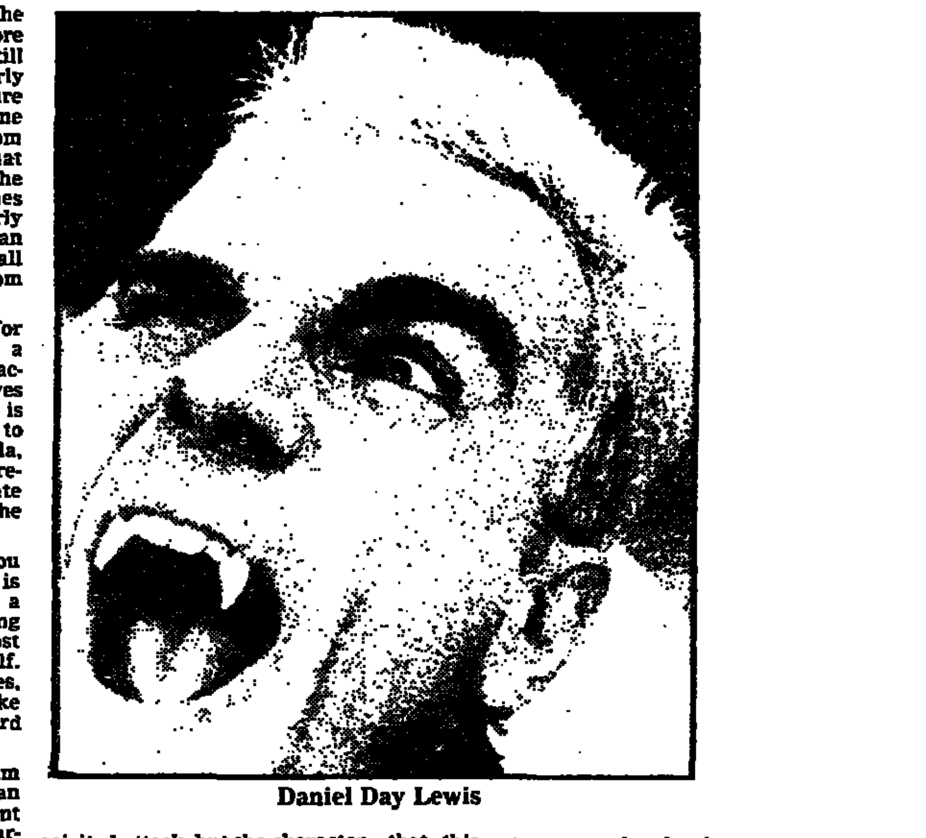
Dracula/Half Moon

Martin Hoyle

This is the last show in the cramped old premises before the new Half Moon opens, still in the Mile End Road, early next year. As a farewell gesture Billy Meall's designs have gone the whole impressive hog, from the mouldering draperies that scabrously festoon the auditorium to the arched niches along the walls — in Early English or their Transylvanian equivalent — and a back wall apparently transported from Westminster Hall.

An unlikely site for the honeymoon of a Yorkshire sausage-manufacturer's daughter. Distant wolves howl whenever blood is mentioned, and references to the landlord, Count Dracula, prompt an equally violent reaction in the local climate (thunder) and gas supply (the lights go out).

Described as a "select bijou holiday residence," the lodge is infested with red-eyed bats, a butler who shambles on sporting toggles of garlic, and, most noticeably, the Count himself. Daniel Day Lewis hobbles, crouches and snarls like a bleach-blond bloodless Richard III.



Daniel Day Lewis

Chris Bond's version of Bram Stoker is sheer pantomime. Van Helsing is a trim and brilliant woman doctor, an expert in martial arts, who conveniently carries round the wherewithal for the first ever blood transfusion between human beings; and soon the equipment is frothing away with what looks like Ribena.

Victoria Hardcastle's brisk seriousness is just right. The part of Jonathan Harker poses more problems. The hero of the original, here he is spoilt, juvenile and smutty, and finally regresses, calling for nanny, to complete childishness. Peter Capaldi plays with zest and spirited attack, but the character is uncomfortably exaggerated in a way to warm the hearts of the more ferocious feminists.

There are signs that Mr Bond wanted to touch on something more serious: the play ends with an anarchic hint of mass vampirism emanating from the highest in the land; and the Harker's widow launches into a tirade against the ineffectual sympathy of the sheltered privileged. But the mixture never sets, though during the run, with plenty of audience help—on Friday there was no doubt that this was a popular local theatre — the comedy should fall happily into place.

Striking effects include a severed hand, spurting blood, and the way Bob Mason's sausage manufacturer produces the running water that, like garlic, keeps vampires away, and I don't wonder. The author directs with an eye to general madness, and is most ably seconded by Richard Ireson's *mitteleuropäisch* butler and the anagrammatic Erica Shorrnoid as the butler's equally moustachioed wife.

Shakatak/Odeon, Hammersmith

Antony Thorncroft

Not since the Beatles have pop groups been so popular. Bands like Culture Club, Frankie goes to Hollywood, Duran Duran and Spandau Ballet, and their more extrovert members, dominate the TV screens, the popular dailies, the new wave of photo magazines for teenage girls and those serious journals which feel they need occasionally to investigate what is happening on the streets.

In major part this is a reaction to that odd period when the record companies began to believe that pop music was artistically important and had intellectual pretensions, thus losing it the teenage market which had been the basis of its prosperity. Now that schoolkids seem more affluent than their unemployed big brothers they are being flooded with pretty Simon Le Bon, outrageous Boy George, etc. Soon there will be a need for more demanding bands to satisfy the under-supplied student market, supposing, that is, they have the grants with which to buy records.

Which is a long-winded introduction to Shakatak, a band unknown to the wider public but very heavy and steady record sellers around the world, even though it traces its roots to Bishops Stortford. Shakatak have a low profile because they are mature enough not to want to posture in public but mainly because their music is less than headline grabbing.

Shakatak are probably the leading performers of British jazz funk, with the emphasis on the funk. They appeal traditionally to Cortina drivers and there were enough of those to fill Hammersmith on Saturday. Being respectable and solid junior citizens the Shakatak audience is hard to rouse and it needed pointed orders from keyboards player Bill Sharpe to get to its feet while clapping its hands over its collective head.

It is surely a bad sign when the most rhythmic of musical styles does not get an audience moving through its own persuasiveness and, indeed, although competent and likeable, it is hard not to feel that Shakatak is a cover version for the real thing—those American bands like the late Shalamar.

Yet some of the songs are excellent, notably "Dark is the night" and "Easier said than done"; the musicianship exemplary; and singer Gill Saward looks striking if slightly false. Shakatak come across as excellent studio players, [illegible]ting down happy disco sounds, but not "black" enough for total live conviction, despite bass player George Anderson who takes his instrument for a protracted run around the stalls — good showmanship, pity the bass guitar is such a dull soloist.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 30 – Dec 6

Music

TOKYO

Tokyo Philharmonic Orchestra, conductor Yoichiro Omachi: Johann Strauss. Tokyo Bunka Kaikan (Wed). (362 6784).

Suk Trio: Josef Suk, violin; Josef Chuchro, cello; Josef Hara, piano, part of the Czech Festival. Shinjuku Banka Centre (Thur). (235 1661).

Tokyo Metropolitan Orchestra, conductor Jean Flune: Berlioz. Tokyo Bunka Kaikan (Thur). (822 0726).

VIENNA

Vladimir Ashkenazy, piano: Schumann. Musikverein (Wed). (65 81 90).

Vienna Symphony Orchestra, Singakademie and Schubertbund, conductor Jesus Lopez Cobos; Maria Chiara and Andrée François, sopranos, Thomas Hampson, baritone; Alois Brandhofer, clarinet: Meyerbeer, Faure. Konzerthaus (Thur).

NETHERLANDS

Rotterdam, De Doelen: Bach Organ programme by Arie Keijzer (Mon). The Hagen Quartet from Salzburg: Mozart, Apostel, Schubert (Tue). Konrad Ragossnig, guitar: Dowland, Bach, Sor and De Falla (Thur). (142911).

LONDON

London Mozart Players, conductor Jane Glover; Eiddwen Harrhy and Marie Slorach, sopranos: part of the Mozart Explored series; The Church and the Stage: Italy and its Influence. Programme includes arias from Mitridate, Re di Ponto. Queen Elizabeth Hall (Wed). (928 3191).

English Chamber Orchestra, harpsichord/conductor Philip Ledger: Bach, Haydn. Barbican Hall (Wed). (638 8891).

London Symphony Orchestra, conductor John Georgiadis; Cristina Bruno, piano: Beethoven, Mozart, Elgar, Ravel. Barbican Hall (Thur). (638 8891).

Royal Philharmonic Orchestra, conductor Walter Weller; Paul Tortelier, cello: Scriabin, Walton's Cello Concerto, Stravinsky. Royal Festival Hall (Thur). (928 3191).

Winner of the Leeds International Piano Competition, Jon Kimura Parker. Queen Elizabeth Hall (Thur). (928 3191).

Ronnie Scott's, Frith Street, W1, Trumpeter Dizzy Gillespie and his quartet (for 2 weeks).

BRUSSELS

Palais des Beaux Arts (512 5045): Berlin Philharmonic Octet; Mozart, Hindemith, Beethoven (Mon). Igor Oistrakh, violin; Natalia Zertzalova, piano: Bach, Franck, Paganini, Ysaye (Tue).

WEST GERMANY

Cologne, Opera: lieder recital, Kurt Moll accompanied by Cord Garden (Wed).

Frankfurt, Opera: lieder recital, Rosalind Plowright, accompanied by Geoffrey Parsons, singing Strauss, Donizetti, Puccini and Rachmaninov (Sun).

Berlin, Philharmonie: The Berlin Philharmonic Orchestra, conductor Herbert von Karajan, playing Brahms and Richard Strauss (Sat, Sun).

ZURICH

Tonhalle: Tonhalle Orchestra, Penderecki conducting his concerto for cello No. 2 (soloist Rostropovitch), and Sibelius (Wed). (201 15 80). Münchner Philharmoniker, conductor Celibidache: Milhaud, R. Strauss, Tchaikovsky (Thur).

PARIS

Ensemble vocal et instrumental la Chapelle Royale, conductor Philippe Herreweghe: Lully (Mon). Saint-Germain-des-Pres Church (260 3184).

Nouvel Orchestre Philharmonique, conductor Yuri Ahronovitch; John Broecheler, baritone: Glazunov, Dvorak (Tue). Radio France Grand Auditorium (524 1516).

Victor Eresco, piano; Piotr Gluboky, baritone: melodies and operatic arias by Glinka, Mussorgsky, Rimsky-Korsakov, Rachmaninov (Tue). Salle Gaveau (563 2030).

Dez Soranki, piano: Mozart, Bartok, Ravel, Schumann (Wed). Radio France, Grand Auditorium (524 1516).

Daniel Versano, piano: Schumann, Franck, Chopin (Wed) Salle Gaveau (563 2030).

Orchestre de Paris, conductor Rafael Kubelik: Mahler's Symphony No. 7 (Wed, Thur). Salle Pleyel (563 0740).

ITALY

Rome, Teatro Olimpico: i solisti Veneti, conductor Claudio Scimone: Rossini, Mercadante, Paganini, Giuliani (Wed, Thurs). (39 33 04).

Teatro Chione: Vlado Perlemuter, piano: Chopin (Thurs, 9pm) Via Della Fornaci 37 (63 72 294).

Oratorio del gonfalone: Vicolo della Scimia 1/8 (Via Giulia): the Coro Polifonico Romano, conductor, Gastone Tosato: Palestrina (Thurs, 9pm). (655.952).

NEW YORK

New York Philharmonic (Avery Fisher): conductor Zubin Mehta; Daniel Barenboim, piano: Mozart, Strauss, Schuller: Concerto Quaternio (world premiere) (Tue). Zubin Mehta conducting; Jeffrey Kahane, piano: Mozart, Beethoven, Schuller, Wagner (Thur). Lincoln Center (799 9595).

Carnegie Hall, New York; conductor Ransom Wilson; Frederica von Stade, mezzo-soprano: Respighi, Berio, Ravel, Stravinsky (Mon). (247 7459).

WASHINGTON

National Symphony (Concert Hall): conductor Gunther Herbig; Sergei Edelmann, piano: Beethoven, Bruckner (Thur). Kennedy Center (254 3776).

Chamber Music Society of Lincoln Center (Concert Hall): Brahms, Ravel, Bartok (Wed). Kennedy Center (254 3776).

CHICAGO

Ensemble de Camera of Chicago Symphony (Orchestra Hall): Stich, Porter, Krommer, Mozart (Wed mat). (435 8122).

Chicago Symphony (Orchestra Hall): conductor Mark Elder; Peter Donohoe, piano: Dvorak, Muldowney, Rachmaninov (Thur). (435 8122).

Phedra/Old Vic

Michael Coveney

Even Robert Lowell, who did a very good version himself of Racine's masterpiece, will tell you (or did) that those rhyming lines of syllabic alexandrines are untranslatable. But Robert David MacDonald's version at the Old Vic, starring Glenda Jackson in a truly outstanding production directed and designed by Philip Prowse, is a fascinating attempt. The alexandrine metre is the basis, but not, as far as I could hear, the absolute rule.

At least we thus get an equivalent of Racine's gravid, weighted line, and Mr MacDonald follows other stylistic devices such as internal rhymes, sardonic antithetical structures and alliteration. Above all it is idiomatic and sonorous and provides no problem for any of the cast except, surprisingly, the most famous voice of the lot, Robert Eddison. His Theramenes is a little uneasy as yet, even in the great account of Hippolytus's death.

That speech provides the great theatrical coup of an evening which starts with a yell of painful resentment as Tim Woodward, naked from the waist up, rolls to the ground in a great black curtain. We hear the crash of waves, the *caw of gulls. Troezene is a* dangerous spot on the coast: dismissed servants drown themselves here, and sea monsters rise at the drop of a curse.

Racine is not a baroque writer, but a classical one: Prowse's wonderful stage composition combines both elements. It is dominated by a hanging, swagged curtain of tarnished gold that covers—what?—a device, a portrait, all is later revealed. Horses' heads adorn standing pillars. Urns burn with incense. The stately characters are clothed in taffeta and shot silk.

Phedra's first complaint, apart from asserting perennial lassitude as she arrives through a stage trap, is about her ornaments and veils. Glenda Jackson is dressed in regal scarlet and a piled-up wig. Her performance is a process of shedding the accoutrements along with her stains of guilt and thwarted passion until, in a stunning final entrance, she achieves a natural untrammelled peace and beauty, doped on Medea's poison, bare-shouldered, smocked.

In some ways this is the Cleopatra she never gave. In others, it is a tragic performance on the grand scale, unafraid of using every part of the voice —its hard, cackling timbre and its mellifluous dulcitude, its fish-wife flare and its soft embrace. Jackson paints an entranced portrait of a woman (and a mother) who is on the rack. The casual information that her beloved stepson is in love with Aricia, the family's political enemy, pierces her like a lance. And suddenly you catch her with a face full of tears.

But this is no one-woman show. The return of Theseus, in the grizzled, bearded, convincingly aged appearance of Gerard Murphy, heralds a great shift in the production. Like Agamemnon, he returns to a welcome less than clamorous, and Murphy — who has already played one voraciously inquisitive army captain this year, Sartre's Gotz — creates a tragic victim of almost equal weight. His Irish growl and threatening composure carry him from elated conqueror to ruined family man with great success. A riveting performance.

And then there is Joyce Redman's *busily aggressive*, goading nurse, Oenone, who pulls Phedra back from the brink only to receive a slap in the face. To complete a really impressive line-up of pricipals, Tim Woodward is a tremendous Hippolytus and Georgina Hale an incisively husky, drained and manacled Aricia. On deciphering Hippolytus's true intentions in releasing her, Ms Hale responds with a toying, callous ambiguity. The production makes more than you would expect of this amorous sub-plot, *gives it steel and a grim air of* political opportunism.

The show has the great merit of being simultaneously gripping and thoroughly striking, without some awful reverential pall settling on the proceedings. This is as much to do with the pawkily compulsive translation as to do with Prowse's unrivalled gift — in the British theatre at least — of composing rich gestural and emotional texture to match visual finesse. He is, as usual, abetted by Gerry Jenkinson's expert lighting.

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Monday November 26 1984

Quebec's crisis of separatism

THE SPLIT in the party of the French-speaking separatists in Quebec is a windfall for Mr Brian Mulroney, the new Canadian Prime Minister, and his call for a national reconciliation. Mr Mulroney's electoral win in September and events in Quebec may have created the basis for a renewal of political dialogue between Ottawa and its fractious province for the first time since 1976, when Mr Levesque's Parti quebecois took over the provincial government in Quebec City.

But for that to happen, Mr Levesque will have to assert his authority over the Parti quebecois, both at grass roots level and in the Quebec National Assembly. His margin for manoeuvre is limited. The Parti quebecois only holds 70 of the National Assembly seats—a working majority under normal circumstances, but a narrow one when several of the party heavyweights, at their head Mr Jacques Parizeau who has just resigned as Finance Minister, are dissatisfied with the premier's policies.

Dissident fight

The dissidents want the Parti quebecois to stick to its original inspiration and to fight the provincial election that must be held by the spring of 1986 on a platform of sovereignty for Quebec. To Mr Levesque that looks like political suicide at a time when bread and butter problems, such as unemployment, occupy Quebeckers' minds rather than the issue of independence from Ottawa. The motives of Mr Parizeau and his friends remain unclear. Some may have preferred to stand on principle regardless of expediency. Others may have felt that the next election was lost in any case and that it would be best to prepare for a resurgence of separatism later.

Mr Levesque is more opportunist. He has been signalling his willingness to resume a dialogue with Ottawa ever since the Liberals were ousted from power there on September 4. Mr Mulroney, himself a member of the English-speaking minority in Quebec, has also held out an olive branch.

Yet the scope for an accommodation between Ottawa and the PQ is limited. Mr Mulroney, like every Canadian Prime Minister, must take his stand on national unity. In the end that is irreconcilable with Mr Levesque's commitment to sovereignty for Quebec, unless he is prepared to trim more than he has done in the past.

In the 1960s he developed the concept of "sovereignty-association," which boils down to a sovereign Quebec in economic union with the rest of Canada. One of the objectives was to counteract the fears of many French Canadians that an independent Quebec would fall behind North American living standards. But when he won power in 1976 he did so on a platform of good government to replace the bad management of the province's affairs by the provincial Liberals.

When this original concept was put to the test in a referendum in 1980 Quebeckers firmly rejected it. Not long after, the economy began to go wrong. One might have thought that high unemployment would encourage radicalism. Instead, support for separatism, in whatever form, waned.

What is the scope for improving Quebec-Ottawa relations? Above all there can be an improvement of tone, now that Mr Levesque is playing down independence, and now that his sworn enemy, Mr Pierre Trudeau, no longer is in charge at Ottawa.

But it will be extremely difficult for Mr Levesque explicitly to accept the Canadian constitution of 1982 because it does not provide for the veto on constitutional change which Quebec had previously enjoyed *de facto* though not *de iure*. In an improved atmosphere that may not matter so much, since no Canadian Government will lightly overrule Quebec unless national unity is at stake.

Time for tolerance

Mr Levesque may be able to lighten in some details the impact of the PQ's language legislation. Personally he disliked some of the more restrictive provisions. But he will certainly not give way on the basic principle that French must be the main language of the provincial government and of business in Quebec.

That legislation may eventually be regarded as the main contribution of the PQ to the history of the province. It has stemmed from and underpinned a long-term process by which French Quebeckers have ceased to be underdogs to the English speakers, especially in the business world of Montreal. The process began long before 1976, but came to fruition under the PQ regime.

Even more than the temporary phenomenon of recession, it may have taken the urgency out of separatist ambitions. Eventually this process may emerge as the real cause of the troubles within the PQ. If so, the party will disappear, just as the Union nationale, once the dominant party in Quebec, has disappeared.

What will remain is that even a Quebec confident of its identity is a special case within Canada. Mr Trudeau succeeded with his rock firm rejection of separatism. The time now has come for reconciliation and tolerance on both sides.

UK finance for students

THE UK Government has taken a welcome initiative in proposing to invest £5m in 1985-86 in a scheme to provide loans for adults wishing to improve their working skills by taking training courses. But the £5m investment, which is intended to be matched pound for pound by commercial banks, is dwarfed by the £700m to be spent in the same year on grants supposed to cover the living costs of people studying full-time for degrees or equivalent qualifications.

Contributions

The student grants would have cost about £60m more over the 1985-86 academic year but for the decision of Sir Keith Joseph, Secretary for Education and Science, to raise the contributions which families with middle and higher incomes are expected to pay towards their children's degree studies. Starting with a rise of a few pounds to an expected contribution totalling £874 for households with gross incomes of roughly £15,000, the increases will range upwards to £725 in the case of parents with combined incomes of about £22,000 with one son or daughter aged under 25 on a degree-level course, at which point the total contribution will be about £2,500. Parents of two students below that age and who have still higher incomes will be expected to contribute progressively more to a maximum of £4,000.

Nevertheless most full-time students domiciled in the UK will still receive a grant from taxpayers' funds towards their living expenses. Nor will the majority be expected to pay towards the costs of tuition, which range from about £3,000 a year for each student on arts courses to £7,500 or more for higher medical studies.

Since the Government is setting the precedent of financing loans to adults wanting to improve their working skills, it ought to scrap the convention of awarding people taking degree courses outright grants which in most instances are supposed to cover all their living costs while studying. There is no just reason against requiring such students to finance themselves at least through a state-aided system of repayable loans, which is the common practice in comparable countries. There are several good reasons why they should be expected to do so.

The principle of full-cost grants is a product of a time when it was believed that providing people with higher education of whatever sort would automatically increase their capital value to the economy.

While it remains difficult to prove any "trickle-down" of this kind, higher education evidently benefits people who take degrees as individuals. They in general have a better chance of finding work at higher pay than people who leave school at 16 or 18, having received less by way of a state subsidy towards their education.

Protests raised

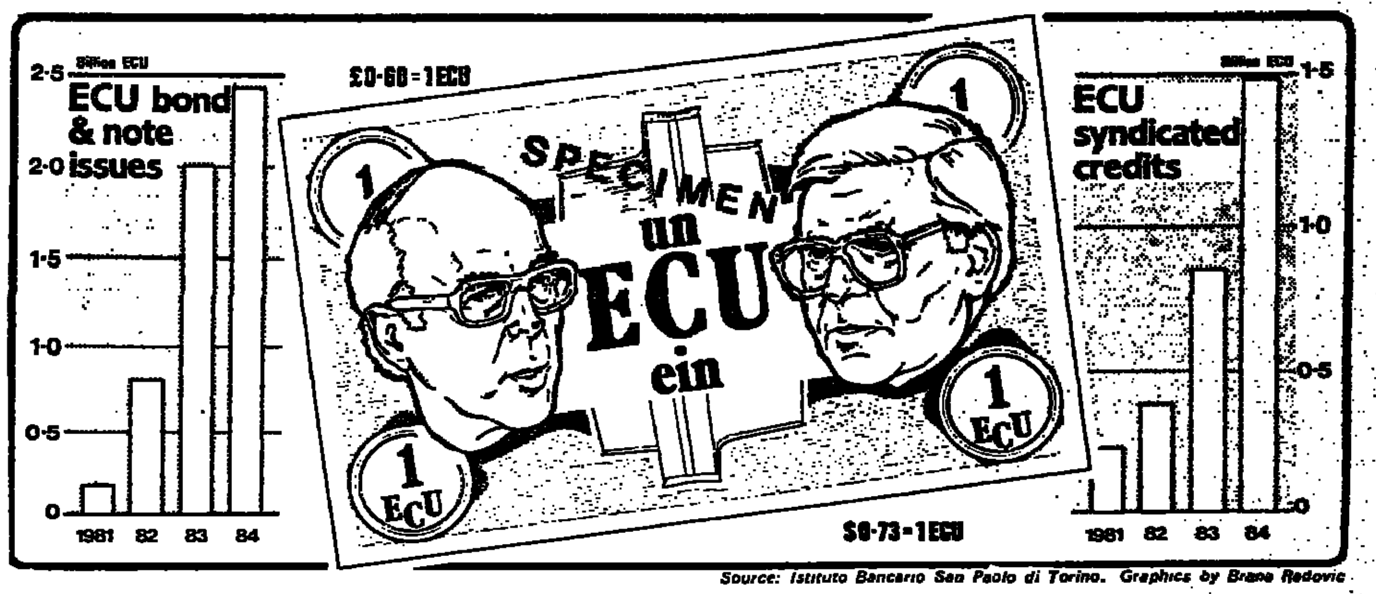
Almost all students are at least 18 when they start their degree courses and are therefore legally adults. If the Government expects adults without higher education to take on loans so as to improve their individual career prospects, it is only equitable to treat all degree students in the same way. This might also encourage a desirable shift toward post-experience education.

Sir Keith Joseph is known to favour replacing the present hotchpotch by a system modelled on those of comparable countries where students have long been expected to finance their studies partly by borrowing, usually through state-assisted schemes. But he has so far been opposed by Cabinet colleagues who fear the change would anger a good many of their constituents. Given the protests already raised by the recent increase in parental contributions, the Cabinet would do well to encourage Sir Keith to give his ideas a wide airing.

EUROPEAN MONETARY SYSTEM

The ECU finds new friends

By Nicholas Colchester



Source: Istituto Bancario San Paolo di Torino. Graphics by Brano Redovic

In hedging a holder's bets against single currency movements, the ECU is popular as a store of value and a denominator of price

WHEN they think about it at all, people in the UK regard the European Monetary System as a European arrangement of fixed exchange rates in which Britain does not participate. They probably imagine that to talk of further development of the EMS is to talk, first and foremost, of getting sterling in. But in continental Europe, the focus has shifted increasingly to the future of the ECU, the European Currency Unit, and the way its role might be developed whether the UK joins the EMS or not.

It is true that the exchange rate mechanism was set up as the primary means of achieving a zone of currency stability in the EEC, in which something like a unified market place for goods and services could flourish. But the idea of a European currency always lay beyond this mechanism, or ERM in the jargon of the Community—a currency to be issued and controlled by Europe's equivalent of the U.S. Fed, the European Monetary Fund.

The monetary fund remains firmly in embryo. But the ECU has developed more rapidly than the founders of the EMS expected. Far from being an artificial Euro-concept to be imposed upon a reticent public, the idea has been adopted by the European private sector with an alacrity that suggests, some would say threatens, an alternative route to the distant goal of a unified European currency, one that runs in parallel to further development of the ERM.

The ECU consists of a basket of fixed amounts of all the currencies of the EEC member states. It has proved popular as a store of value and as a denominator of price, quite simply because it hedges the holder's bets against the movement of any single currency. On the basis of this attraction, the ECU has become the third most popular currency in which to denominate Eurobonds. It is said to be the currency in which nearly half of Italian exports are invoiced. Its use in the capital market is underpinned by growing ECU deposit and interbank markets. It has just been sold directly to investors in the U.S. in the form of a ECU 150m ($111m equivalent) bond issued by the EEC.

An alternative route to a unified European currency

This modest bandwagon has advanced without the prompting of Europe's central banks. Indeed the West German Bundesbank has hindered the advance by refusing to allow deposits, or credits, or bond issues denominated in ECU inside West Germany. But recently the evident popularity of the ECU has begun to infect European officialdom. The French Government has just produced a special degree of relaxation in its exchange controls for ECU-denominated securities. There are clear signs, too, that as the German financial sector becomes more interested in the ECU, the Bundesbank is reconsidering its purist stance. Some concessions may be announced early next month.

Equally, Treasury officials of the member countries are now being forced to decide how the private sector ECU should best be nurtured through the entry of Spain and Portugal into the EEC. The ECU absorbed the Greek drachma without much damage to its image as a non-inflationary currency, because the weighting of the drachma in the ECU basket is very small. But the Spanish peseta would be much heavier: it would amount to about one-tenth of the ECU and suffers from a current inflation rate of 12 per cent. The solution desired by the EEC Commission is that the peseta should only take its place in the ECU basket when the basket's next scheduled review becomes due in five years—and then only if Spain has achieved a rate of inflation roughly consistent with the European average. The Spanish Government may well object to this.

Meanwhile the official ECU makes progress as well. As an accounting unit the ECU is fundamental to the management of the Community. It is used in the EEC budget, in setting common agricultural prices, and in the accounts of EEC institutions like the European Investment Bank. The entire Exchange Rate Mechanism of the EMS is built around it. As a means of payment, the official ECU is used only between European central banks to settle part of the debts they incur with one another as a result of their interventions in the currency markets. The official ECU is therefore a reserve asset.

Here again there is general satisfaction at the way the ECU system is working. EEC Governments are discussing changes in the rules that will encourage increased use of the official ECU and extend its use to central banks outside the Community.

In August, Helmut Schmidt, one of the architects of EMS, circulated a private paper on the future of the system which later formed the basis of an article in Die Zeit. The paper mapped out in some detail the ECU path towards a common European currency and the progress which might be possible without amending the Treaty of Rome and without it being strictly necessary for the UK to join the ERM.

The essentials of his plan were that the ECU should become a fully convertible currency, exempt from member state exchange controls, with the divide between private and official ECU removed, and with the duty of controlling the supply of this currency passed progressively to the European Monetary Co-operation Fund.

Europhiles, pleased by the spontaneous emergence of the private ECU, might hope for stealthy movement along this path in a "grandmother's footsteps" approach to monetary union. But the Bundesbank is an alert grandmother. It was bounced most unwillingly into the EMS in the first place by the forceful political initiative of Valery Giscard d'Estaing and Helmut Schmidt (see illustration above) and it has remained suspicious since.

The Bundesbank is the most independent central bank in Europe. It fears any obligations which may interfere with its duty to preserve the value of the German coinage. It has found, with relief, that the ERM has evolved essentially into a D-mark bloc. But it remains wary of the emerging ECU because it senses that it might be submerged in a new ECU-dominated system in which the issuing agency would be controlled by Europe's collective finance ministries.

Quite where the sticking point in the march of the ECU will be remains hard to predict. But any move to merge the private and the official ECUs will be a key development. As soon as central banks are acting as potential lenders of last resort of ECUs to the private markets, rather than just the individual component currencies, they will no longer be able to turn a blind eye to the question of who is co-ordinating the ECU money supply.

COMPOSITION OF THE ECU

	National currency units March 13 1979†	National currency units Sept 17 1984	Percentage weights* March 13 1979	Percentage weights* Sept 14 1984	Percentage weights* Sept 17 1984
Belgian franc	3.66	3.71	9.3	8.1	8.2
Danish krone ...	0.217	0.219	3.1	2.7	2.7
French franc	1.15	1.31	19.8	16.7	19.0
Deutsche mark...	0.828	0.719	33.0	36.9	32.0
Irish punt	0.00759	0.00871	1.1	1.0	1.2
Italian lira	109	140	9.5	7.9	10.2
Luxembourg franc	0.14	0.14	0.4	0.3	0.3
Neth. guilder ...	0.286	0.256	10.5	11.3	10.1
Pound sterling ...	0.0885	0.0878	13.3	15.1	15.0
Greek drachma ...	—	1.15	—	—	1.3
			100.0	100.0	100.0

* Based on market rates. † These amounts remained in effect until the September 17 1984 revision.
Sources: Council Regulation (EEC) No 3180/78 of December 18 1978 and Council Regulation (EEC) No 2626/84 and Declaration of September 15 1984 and IMF staff calculations.

If stealth has its limitations, what about a grand political initiative to sweep the ECU onwards? Rumours have been brewing of late of new EMS initiatives and they seem to derive from a combination of the ECU's success and hopes for fresh political impulses — from the French and German heads of Government, for instance, who are eager for a new Anglo-French initiative in the Community, or from Jacques Delors, the former French Finance Minister who will shortly move to Brussels as president of the Commission.

The real prospects are limited. The Kohl-Mitterrand axis does not have the formidable technical grasp of the Schmidt-Giscard one. (French enthusiasm for an ECU coin, for example, is surely putting the icing before the cake.) And there are no signs that Mrs Thatcher, or her senior colleagues, have any vision of the EMS that stretches beyond the exchange rate mechanism.

Any decision by the UK to join the ERM will have a more profound effect on the workings of the mechanism than is widely realised. At the moment, in essence, member countries align their currencies against the D-Mark, and the D-Mark defines the level of the whole group against the U.S. dollar. Sterling's entry will complicate this relatively clear-cut exercise in formation flying. Suddenly there will be two reserve currencies within the system and it is not difficult to imagine conditions—pronounced weakness in both dollar and oil price, for instance—which will drive them in different directions. This will in turn force the UK and Germany to agree upon the best combination of parity adjustment and monetary compromise to cope with the situation. In other words, sterling's entry will push upon the EMS the sort of multilateral consultation and compromise which was envisaged at the start.

The corollary of this is that ERM membership *will* impose obligations upon the British Government. Those who argue in favour of EMS in Britain tend to try to prove that the obligations and disadvantages are dwindling. They are encouraged in this by the Government's own hypocritical assertion that it will join "when the time is ripe."

It is true that the time now looks much riper than before as today's report from the Federal Trust Study Group makes clear. It is also true that the ERM's evolution into a "crawling peg" rather than fixed exchange rate system implies less of a choice between an exchange rate and a money supply target than was originally feared. But in the end, the Treasury is unhappy about joining because it knows that it will have to exchange monetary autonomy for monetary consultation. The Bundesbank faces a similar prospect.

The exchange can be made out to be palatable at the moment because Treasury and Bundesbank share roughly the same view of the rates at which money should be created in their economies, and accord the same priority to the suppression of inflation. This does not mean, however, that agreement between the two will be automatic if the U.S. dollar or the oil price move sharply and pressures build up in the ERM. Nor can one be sure that the politically responsive Treasury will for ever share the monetary views of the politically insulated Bundesbank.

What the British Chancellor of the Exchequer and Prime Minister need at the moment

There would be two reserve currencies within the system

are not siren voices telling them that the risks are small but strong arguments why the bold step is worth taking. Such arguments have to cut more ice than the need to boost the UK's reputation as a good European. The Treasury insists, and the Foreign Office accepts, that economic considerations are paramount.

The goal of a genuine common market provides the most convincing justification. In its campaign to rediscover full employment and growth, by breaking down restrictive practices and barriers that hamper the free market, the UK Government has been a persistent advocate of a genuine Common Market. It is leading the campaign for such a market in Brussels. It has given practical support to the idea with its removal of exchange controls. The emergence of such a free market can only be helped by relative currency stability within Europe. It must ultimately require the emergence of a European currency. Yet the British Government continues to baulk at contributing to the first and has no clear vision of the road towards the second.

Men and Matters

In the coin slot

The abolition of the pound note may still be creating a fuss in some places — but it has brought delight to others.

Orders have been flooding in these last few days to a little company in Hampshire which makes plastic dispensers, holding five of the £1 coins.

The company, Minerose, was set up by advertising executive Morley Hall, and his wife, Debbie, who mortgaged their house to help finance it. "We were despairing when interest in the coin went so flat after Mrs Thatcher said last year she knew of no plans to scrap the note," says Hall. "I had to go out and get a job, and put the idea on ice for a while."

But now Mrs Thatcher, herself, has one of the black plastic dispeners. The Halls are ready to churn out 500,000 a month, and a workshop for the handicapped in Berkshire is looking forward to new business packing them.

The pop-coin, as it is called, fits into pockets, purses or sporrans, says Hall. "It weighs less than a £1 coin, and costs less than losing one."

It is a hit in St Helena — the only place so far, says Hall, where they have taken a £1 coin to heart.

"Forget Sunday trading or VAT on hymn books—it's the abolition of the halfpenny that will hit us the hardest."

See through

After restoring an old fishing boat and other historic craft in his spare time for the Welsh National Folk Museum, Roger Hall, 36, felt confident enough to launch his own boat repair business.

But there was one obstacle—he is blind. His eyes began to fail when he was 17 and though a skilled carpenter and keen sailor, he had been working on a "boring" assembly line job.

Now the Manpower Services Commission has given him the financial backing he needed. And Hall is already busy with new orders at a workshop at Penarth Docks in South Wales.

"Working with boats has always been my real enjoyment," he says. "I was delighted when the museum first gave me a chance to prove that I could do the job."

His determination to succeed may help other similarly handicapped. Colin Williams, an MSC regional official who specialises in finding work opportunities for the blind, says: "Roger's is a test case which we can use to demonstrate what blind people can achieve. We can make it much easier in future for the community to support blind people who are showing enterprise.

Spanish garden

Visitors to Prime Minister Felipe Gonzalez's sumptuous Moncloa Palace on the outskirts of Madrid are likely to be treated to a tour of Spain's secret agricultural weapon. Near the swimming pool, Gonzalez has turned a fair sized piece of lawn into a vegetable patch.

The cabbages, carrots, onions and other veg all seem to be doing very well but the Prime Minister is really proud of a makeshift plastic greenhouse set incongruously amid the garden's classical statues. Gleefully, Gonzalez shows off "what is really going to give the Europeans something to think about." Under the plastic, he laid out a bed of peat and then covered it with sand. Then he planted strawberries. A good crop is expected before Christmas.

Expansively waving his cigar, Gonzalez says that Spanish agriculture just needs a bit more imagination and energy to bring forth the fruits of the earth. He himself — "I come from good country stock" — settles down to his market gardening every Sunday morning.

Safe-keeping

Fresh from his role of keeping an eye on investors' money as director general of the Council for the Securities Industry (CSI), John Hignett has now decided to play a rather different part in looking after other people's assets.

Hignett has put together a consortium of a dozen or so friends in the City to back London's latest safe deposit venture, Metropolitan Safe Deposits. The new company will be opening its first centre in Chester Mews, Belgravia, tomorrow.

The centres — which rent out electronically protected lockers for the storage of valuables and documents — have been springing up in London over the last two years in response to rising burglary figures and rocketing insurance premiums.

Hignett left the CSI to return to his old job at the corporate finance department of merchant bankers Lazard Brothers last January. He has now raised a total of £400,000 towards the total £650,000 cost of the Belgravia centre.

Hignett is the largest shareholder with 12 per cent of the equity. The other shareholders and directors include Don Pepper, former vice-chairman of Rolls-Royce, and John Bloxcidge, president and managing director of Wilkinson Sword.

Hignett became involved in the project through Neil Cook and Leslie Hawkes, whose property refurbishment company, Brompton Park Estates, had bought an old Post Office building in Belgravia, but lacked the funds to develop it.

The Belgravia safe deposit will have 3,000 lockers in a purpose-built strong room

In the swim

Having spent the last six months pondering how to make a go of its securities venture with de Zoete's and Wedd Durlacher, Barclays Bank finally gets down to the real business tonight.

The bank has hired Fishmongers Hall for a huge reception at which the top people (and their wives) of all three institutions can become acquanted, and size each other up. The event will, I suspect, require a fair amount of tact and jollity if the famous "cultural" differences between bankers, stockbrokers and jobbers are to be bridged even with the help of cocktails and canapés.

The venue was chosen by Lord Camoys, the chairman of Barclays Merchant Bank, who is a leading member of the Worshipful Company of Fishmongers.

The event is not, though, the first evidence of deepening social relationships in the City. Leading lights of other budding alliances have already been spotted feting each other at places like Covent Garden, seeking closer rapport in the Crush Bar.

Observer

Foreign Affairs

The Nato dilemma on risk sharing

By Ian Davidson

THE MEETING in Geneva early in January between the Soviet and U.S. foreign ministers will focus world attention on whether the two super powers will succeed in getting together again in the painstaking process of arms control negotiations.

It would be hard to over-state the importance of the question; but perhaps the most pressing issue facing the Atlantic Alliance is whether the European governments will succeed in staving off U.S. congressional pressure for a reduction in American forces in Europe. Indeed, it is possible that this second issue could exert considerable influence on the general prospects for East-West negotiations.

Last June, in response to a strong current of resentment at what many Americans see as the inadequacy of Europe's defence efforts, Senator Sam Nunn tabled an Amendment which would have required the U.S. to reduce its forces in Europe by 30,000 men per year over three years, starting in 1987. Coming from a man who is a strong supporter of Nato, this may have seemed a paradoxical move; but he offered a let-out clause: the European allies could avert the troop reduction if they lived up to their commitments to increase their defence budgets by 3 per cent a year in real terms, or increased their ammunition stocks to a level sufficient for 30 days' combat, or took adequate steps to provide protective shelters for American aircraft at airbases in Europe.

Senator Nunn's logic was thus relatively simple. The new conventional wisdom in the alliance is that Nato needs to reduce its dependence on nuclear weapons by providing more effective conventional deterrence; but if the Europeans demonstrate that they are not prepared to translate this general aspiration into budgetary effort, then the U.S. may as well scale down its own conventional contributions. There would be little point in the U.S. gearing its forces to be able to fight a 30-day defensive action if some of the Europeans demonstrate, by the level of their ammunition stocks, that they do not intend to be able to fight for longer than 10 days; there would be little point in the U.S. planning for substantial aircraft reinforcements if the aircraft were liable to pre-emptive destruction as soon as they arrived.

As it happened, in June Senator Nunn's amendment was defeated. But few doubt that he will return to the charge, and tension over the need to do something drastic about the U.S. budget deficit may bring him extra support.

On the central budgetary issue, there would seem not the slightest chance that the European members of Nato will satisfy the Nunn criterion. The target of annual 3 per cent increases in real terms was adopted in 1978 but has never been met.

Much therefore depends on the fall-back issues of infrastructure and war-stocks, over which the Europeans and the Americans were deadlocked at the spring meeting of Nato defence ministers. Lord Carrington, the new Nato Secretary General, has now put together a compromise package designed to go some way towards the American demands; it remains to be seen whether what one European official describes as "best efforts" to secure an agreement at next month's winter meeting of the defence ministers will go far enough to satisfy Senator Nunn.

The trouble is that not all European countries would necessarily want to acquiesce in the Nunn bargain, even if they could comfortably afford to do so in budgetary terms, which they cannot. The Germans, in particular, have long been deeply divided about the conventional/nuclear dilemma in Nato's posture. Given Nato's conventional weakness, the high priority they set on forward defence implies a defence policy based on deterrence through nuclear weapons. Yet the controversy over deployment of Pershing II and cruise missiles in Europe has profoundly shaken the defence policy consensus in Germany. No German government would welcome a policy which seems designed to make it easier to trade space for time, or which might reduce deterrence by appearing to insulate the U.S. from the escalatory dangers of a conventional war in the Federal Republic.

To that extent the European-American debate is not primarily about "burden-sharing" so much as about risk-sharing, and the balance between defence and deterrence.

In his new study on *U.S. Troops in Europe*, Phil Williams starts from the premise that a reduction in the American contingent is a serious possibility, and one with which we may have to come to terms. But when he addresses the further question "Would this matter, and if so how much?," his conclusions are ambiguous.

On the one hand he says that "Any reduction which takes the figure significantly below 300,000 [compared with the current figure of over 350,000] would have serious implications for the Alliance . . . If a significant cut in U.S. forces in Europe is not followed by European initiatives to compensate for the resulting gap in Nato's defensive capabilities, the United States would almost certainly be tempted to disengage completely."

On the other hand, he also argues that western Europe's security depends on a complex web of politico-strategic calculations which go beyond the purely military balance between Nato and the Warsaw Pact, let alone the precise numbers of U.S. troops in Europe. The key to deterrence in Europe is the risk of superpower confrontation, not the size of the American contingent. "The (American) nuclear guarantee may not be adequate to reassure the west Europeans, but it is almost certainly sufficent to deter the Russians."

Following *this* train of thought, Mr Williams suggests that "a graduated reduction of 50,000-100,000 military personnel in Europe could take place without necessarily undermining American credibility—but it would have to be accompanied by an explicit understanding that additional withdrawals would not be carried out."

On the face of it, the two arguments are inconsistent, and apparently irreconcilable. Yet they can be reconciled if one says that the impact of an American troop reduction depends not merely on its size (though that could be very important), but also on the manner and phasing of its implementation on the one hand, and on the European reaction on the other.

The irreducible requirement for Europe is a sufficient U.S. military presence to guarantee that any Soviet invasion would involve a superpower conflict and thus an incalculable risk of nuclear escalation. A reduced U.S. presence would be less comfortable for the management of European controversy over defence policy, because of the increased dependence on nuclear weapons, and even more because of anxieties that a first-phase reduction of U.S. troops might be followed by a second. It would be dangerous only if it prompted more neutralist leanings in the more faint-hearted European Nato countries, and thus risked precipitating still more intense U.S. disenchantment with Europe, with the spectre, at the end of the road, of an uncontrollable unravelling of the American commitment. For this reason, the kind of reassurances required by Mr Williams in his second quotation would obviously be unobtainable in advance. Much, if not everything, would depend on the European response over time.

Because of the incalculability of this response, European Nato governments are particularly anxious for a renewed dialogue between the superpowers.

No doubt the British Government will do its best to probe Soviet arms control intentions when Mr Mikhael Gorbachev, No 2 in the politburo, visits London next month. But no doubt Mr Gorbachev will want to do some probing of his own into British perceptions of Euro-American friction. Where an American strategist visited Moscow earlier this year, he found the Russians fascinated by the emerging moves to resuscitate Europe's own defence organisation, Western European Union. Some felt this was a favourable development from Russia's point of view, as presaging the eventual decoupling of America from Europe; others that it was potentially alarming, if it should ever lead West Germany to get a finger on a European nuclear trigger.

Either way, Mr Gorbachev will be very interested to size up the state of the European-American alliance.

U.S. Troops in Europe; Phil Williams; RIIA; £5.95.

American soldiers in chemical warfare kit on exercises in Luxembourg

Lombard

Rethinking the economics of joy

By Anatole Kaletsky

THE hard-faced guardians of fiscal probity who run Europe's finance ministries must be feeling even more self-satisfied than usual. The day of reckoning has at last arrived for America's decadent "economics of joy," with the abrupt slowdown in the U.S. growth rate. The moral lesson appears to be obvious: President Regan has failed to deliver on his promises of sustained growth, which proves yet again that all policies of demand expansion are ultimately doomed to failure.

There is only one flaw in this argument. A lasting reduction in America's growth rate would indeed spell the failure of Reaganomics: but in doing so it would establish more conclusively than ever that demand management still works much as suggested in conventional Keynesian textbooks.

For the past two years, conservative politicians in both America and Europe have deliberately confounded the two distinct strands of policy in Reaganomics — traditional demand reflation and the novel "supply-side" economics. They have used the U.S. boom as an advertisement for conservative supply-side philosophy. They have trumpeted the contrast between the two continents' recent unemployment performance as positive proof, that the causes of European unemployment lie in the rigid structure of heavily unionised labour markets. In the process, facts which did not fit the supply side theory have been ignored. How many Europeans remember, for instance, that Europe's "frozen" labour markets produced lower unemployment than America's "flexible" ones in every year from 1960 to 1982?

As long as the U.S. economy was booming, such information could be dismissed as irrelevant; history no longer assumer to matter, because a new wave of market flexibility and "enterprise culture" was going to transform all established trends. But if the slowdown in the U.S. continues, the boot will be on the other foot: the onus of proof will be on those who claim that the early success of Reaganomics was some novel supply-side phenomenon, rather than a simple Keynesian recovery.

Keynesians, after all, never suggested that demand reflation could guarantee perpetual boom conditions. The supply-siders were the ones who claimed their policies would permanently raise the economy's long-term trend. Keynesian economics implies that once a recession is over, further fiscal and monetary stimuli gradually become ineffective, either because of high real interest rates or rising prices. It is the supply-siders who coined the phrase "the economics of joy" — the notion that tax cuts will generate spectacular growth, not just for a few years of post-recession recovery, but for the indefinite future. And it is supply-side theory which implies that America, with its flexible market structures, will continue to grow much faster than Europe, even after the Keynesian recovery phase is over. In the next few years, these supply-side predictions will be tested.

What if the claims of supply-side economics prove to be wrong—or at least grossly exaggerated? There will then be no great difference between past and future growth trends, or between the long-term growth rates achieved in America and Europe. Both continents will grow at an average rate of about 2 to 3 per cent for the rest of the decade, but with one vital distinction. America's growth trend will have started from the top of a business cycle, after a Keynesian recovery: its unemployment rate will fluctuate around 7 to 8 per cent, not far above its historical average. Europe's trend will have begun from the bottom of the deepest recession since the 1930s; and unemployment will vary around the current 11 per cent — 5 percentage points higher than the 1974-81 average. That 5 percentage point gap provides a rough measure of what Europe may have lost by eschewing America's reflationary "self-indulgence."

Letters to the Editor

Erroneously-set objectives

From the Director-General, British Institute of Management,

Sir,—No one can deny that Sir Michael Edwardes has his own very distinctive style of management — one that has attracted both praise and criticism; admiration and resentment. Similarly his comments on British management's "lack of courage" (November 21) have received a very mixed response. Many managers have made it quite clear they object to the impression that managers generally are accused of cowardice and incompetence.

Of course there can be little argument that some criticism can be justly aimed at those whose strategic errors have led to the collapse and destruction of major sectors of British industry: collapses that have occurred when other managers have been working faithfully to fulfil what turned out to be erroneously set objectives. But it's no good accusing managers down the line of cowardice or lack of enterprise for an attitude which is moulded by the company ethos and procedures.

Since he made his comments I've spoken to Sir Michael and he agrees that his criticisms were not intended to be applied uniformly to managers generally in this country: he had strategic management particularly in mind.

Of course there is room for change everywhere, in order to make Britain more competitive. Managers have to be sharper, more commercially aggressive, better trained and more entrepreneurial, but this must be encouraged and helped from the top of the organisation. The evidence I have is that this is happening. Certainly the BIM with its 75,000 members has as its principal aim the improvement of the performance of managers and our work is directed to that end.

Roy Close,
Management House,
Parker Street, WC2.

Pension schemes and taxes

From Mr R. Instone

Sir,—Several alternatives have been canvassed recently for the taxation of pension funds, the problem being (as shown by Messrs Santhouse and Whittington in their letter in your issue of November 21) to balance revenue-raising against actuarial solvency.

One possibility which I have not so far seen suggested would be to tax the periodic actuarial surplus of the individual fund, ascertained without regard to the incidence of the tax. This surplus is, after all, a measure of the amount by which the tax relief already allowed has proved over-liberal in the event; and taxing it seems, to this non-actuary at least, to be defensible in principle and to allow for the differing experience of individual funds.

Ralph Instone.
7 New Square,
Lincolns Inn, WC2.

Cost of space insurance

From Mr G. Hall.

Sir,—The return to earth of satellites Westar VI and Palapa B-2 on shuttle mission 51-A aboard Discovery has been hailed as an outstanding achievement. It is now that the hard bargaining will begin.

Space insurers Stephen Merrett of Lloyd's and James Barrett, international technology underwriters, Washington, have with others paid out $182m in claims for the unsuccessful launch of these satellites in February. The insurers now own the satellites by transfer of legal title, and have paid another $10.5m towards the retrieval costs. Further millions of dollars as yet undetermined, are required to finance the refurbishment of the satellites for sale to potential buyers and for relaunch. These refurbishment costs will play an important role in forthcoming negotiations.

To recoup losses by resale of the spacecraft is the clear objective of the insurers. They will, however, be under pressure in two ways. The unknown reliability of a refurbished satellite, will be used to argue down the buying price. The satellite manufacturer, Hughes Aircraft Company, could see the renewed spacecraft as competition for its existing satellite production lines, and price up its refurbishment work accordingly. To gain their just rewards for taking the retrieval risk, insurers will need tough-minded negotiators.

But there is a wider issue. Insurers have paid out a great deal of money on space losses since the industry began in 1965 with the (successful) launch of Intelsat's Early Bird. Recent losses have driven up premiums to record levels, and some insurance buyers have backed away.

The total balance sheet now shows a large deficit which is not expected to turn into a net income for several years. This retrieval is one attempt to reduce the deficit quickly. At the same time, space business is gaining momentum, encouraged by NASA's new Commercial Program Office. In the next 10-15 years, billions of dollars will be spent on space based research and industrial facilities for manufacturing in micro-gravity conditions. In one sector alone, the benefits to mankind of revolutionary new drugs made in space are incalculable.

Yet risk capital of this magnitude comes from large corporate organisations whose leaders make extensive use of insurance to offset part of the risks in their investment decisions. Without such insurance, the available risk capital for space projects will be lower and the benefits will be delayed or even lost altogether. Many see the Westar/Palapa retrieval as a turning point in space insurance. If insurers recover substantial funds, the worldwide space underwriting capacity will remain. If not, that capacity will reduce, premiums will go even higher, and research risk capital will shrink.

Geoffrey E. Hall.
13, Camperdown,
Maidenhead, Berks.

Support for the arts

From the Director, Association for Business Sponsorship of the Arts

Sir,—While I welcome the general approach of your leader (November 21) entitled Financial support for the arts, I write to strike a note of caution with your phrase 'incentives for business arts patronage are already substantial, since sponsorship usually qualifies for tax relief as a normal business expense.'

My organisation in association with the accountants Arthur Andersen will be publishing a brochure on arts sponsorship and tax, which will highlight some problems which the business community have with obtaining tax relief for their sponsorships. Many businesses who are members of this association find the tax position in the UK complicated, inconsistent and erratic. The so-called Inland Revenue 'hit-men's' investigations into business tax relief are causing those of us who wish to encourage growth in arts sponsorship grave concern.

ABSA is actively pressing the Government to look again at tax relief and to study the American model which benefits the arts so dramatically in the U.S.

This association welcomes Lord Gowrie's initiative in launching the business sponsorship incentive scheme which we are in fact administering on his behalf. But the real growth in sponsorship will come with a percentage of pre-tax profits being exempt for contributions to charitable activities being adopted as Government policy.

Colin Tweedy.
2 Chester Street, SW1.

Not much for their money?

From Mr R. Gill

Sir,—Concerning the lamentations from Mr J. Sutherland (November 14) I confess to being somewhat puzzled. As the record shows, the London market has grown by 25.1 per cent in the past 12 months, against 21.2 in Tokyo, and 2.4 per cent in New York. Now Mr Sutherland complains that he has only received an extra 10 per cent approximately in the level of his Sainsbury dividends. Is he really dissatisfied with a total gain of more than 27 per cent per annum, or is he just unaware of what is happening in the market?

Perhaps I am not so greedy, but I am at least content with my modest 27 per cent per annum, and to judge by the FT 30 index state there are a few others who agree with me.

R. Rockingham Gill
Daphnestr. 21
D-8000 Munich 81
Germany.

Presidents' rulings

From Mr B. Darbyshire

Sir,—Reginald Dale from Washington writes (November 21) that Justice Department officials "could not remember when a President had last over-ruled the Department on a Grand Jury criminal investigation."

I very well remember that virtually the first administrative action of President Eisenhower after taking office in January 1953 was to order the deferment (and subsequent abandonment) of the Justice Department's investigation of posible criminal infringement of the anti-trust Acts by the large American oil companies conducted by Mr W. Watson Snyder at the instigation of the previous administration of President Truman.

Needless to say the action was a great relief for those high company officials who in theory might have faced gaol sentences. It was widely believed at the time to be not unconnected with the massive financial support that many of the oil companies had given to the Eisenhower electoral campaign.

B. N. Darbyshire
16 Empire House
Thurloe Place, SW7

FINANCIAL TIMES

Monday November 26 1984

Terry Byland on Wall Street

Renewed drive for car makers

THE CUT in the Federal Reserve's discount rate, while hardly unexpected, has cleared the way for a reappraisal of Wall Street investment portfolios.

The sharp rise in the stock market on Friday – the first trading response to the Fed's move, which came after stocks had finished trading on Thanksgiving eve – was to some degree a knee jerk reaction. Once the stock market settles down, buyers will inevitably become much more selective.

Wall Street is unwilling to join the chorus of sirens now whispering the word "recession" in dark corners. Mr Burton Siegel, director of research at Drexel, Burnham Lambert, which electrified the market a week ago by recommending clients to shift portfolio weightings in favour of stocks, believes that "economic expansion will resume and continue into 1986."

At Sanford C. Bernstein, Mr David Eisenberg sees the Fed's action as a response to "a very slight chance of recession" and setting the stage for renewed vigour in the second half of next year.

Mr Eisenberg is focusing attention on the financial stocks sector. "Interest rates are going to fall even further over the next six months," he thinks.

First to benefit will be the stocks of the savings and loan groups which have already started to recover after a period of renewed uncertainty. Stock in H. F. Ahmanson, largest of the groups, rose sharply after the Fed's announcement, comfortably outrunning the Dow Jones industrial average. Californian Federal Savings & Loan has also risen sharply over the same period.

Stock	% change on month	% below 12-month peak
Ford	−7	− 9.6
Gen Motors	−4	− 4.4
K mart	−3.3	−10
Ahmanson	2.0	−27
S&P 400	−2.10	− 2

Bank stocks are likely to benefit as their Latin American loan portfolios respond to lower interest rates as well as to the lower dollar which should follow.

There are a few caveats here, however. The insistence by the Comptroller of Currencies that both BankAmerica and First Chicago tighten up their loan/capital ratios was regarded on Wall Street as a warning to the rest of the sector. Earnings may not be allowed to improve at the expense of loan security.

Over the short term, however, banks will be helped by the lower cost of raising funds. Friday saw rates on their certificates of deposit fall to below 9 per cent on four-month money. Until their customers oblige them to cut prime rates again, the banks will benefit from lower money market rates.

Financial issues had already discounted lower interest rates. But some other sectors expected to respond favourably have been lagging behind. Retail stocks have been noticeably uncertain following mixed trading results for the second and third quarters. Christmas optimism among retailers is traditional, but even so, traders are admitting that inventories are currently higher than usual, and consumers price concious.

Consumer confidence is hard to predict, but Wall Street doubts whether the discount rate cut can make much difference to retail sales in the five weeks left before Christmas. With Christmas sales generating about half annual profits at some stores, brokerage analysts will not be changing their earnings forecasts for the sector at this stage. Retail stocks, already about 1.5 per cent off since early October, remained unenthusiastic after the Fed's move.

But if any one sector selected itself as a winner on Friday, it was the Detroit car makers which stood out both in terms of price gains and stock turnover. The car producers are in a stronger position to benefit from lower interest rates than the retail stores. Car buyers and dealers are more directly sensitive to interest rates than store customers who are often simply spending the monthly wage packet.

Motor stocks are even better placed to benefit from the cut in the discount rate because they have been dragging behind the rest of the industrial stock market. Since early last month, the big three stocks have fallen by around 1.6 per cent.

In the case of the capital good sectors, however, Wall Street was more discouraged by the Fed's reasons for acting than it was encouraged by the rate cut. If the Fed is acknowledging that the U.S. enonomic growth rates are slowing, then brokerage analysts will want to see proof that lower interest rates will overcome this before recommending stocks in the steel, chemical and machine tools groups.

INVOLVEMENT FOR OPEC MEMBER IN NORTH SEA OILFIELD

Iran and BP consider North Sea development

BY DOMINIC LAWSON IN LONDON

IRAN may soon have a half share in a producing North Sea oilfield. British Petroleum (BP) is considering the development of an oil find in North Sea block 15/13, which it and the National Iranian Oil Company (NIOC) share equally.

This would be the first time that a member of the Organisation of Petroleum Exporting Countries has been involved in developing a North Sea oilfield.

Kuwait acquired a 16.6 per cent stake in the already-producing Thistle oilfield when it took over the U.S. oil company Santa Fe in 1981.

NIOC has stakes in only two North Sea blocks, both gained in the fourth North Sea licensing round in 1972, and both on a 50-50 basis with BP.

NIOC's investments abroad have been heavily cut since the revolution in Iran, but it has retained its North Sea interests and has also kept a London office.

It has managed to keep close ties with BP through the Iranian British Steamship company, an equally shared joint venture which operates tankers for charter on the open market.

It is believed BP and the UK Department of Energy have discussed informally the development of the field using BP's revolutionary single oilwell production system (Swops).

Swops is an oil production ship, being built by Harland and Wolff, which is designed to produce oil economically from fields which are too small for conventional platform development.

The vessel will be able to extract oil from the three geographically close small fields in a rota system. While oil is being extracted from one field the pressure in the other fields rebuilds naturally to allow further extraction.

BP has previously named only one block, 16/28, for development by Swops. This is owned 100 per cent by BP, and will be called the Cyrus field. Cyrus contains about 30m barrels of oil, and development approval by the Department of Energy is expected soon.

The other two oil discoveries which may be developed by Swops are 15/13 held jointly with NIOC, and block 15/28a, which BP owns in a 50/50 partnership with Deminex, of West Germany.

The discovery which BP shares with the Iranians could be as large as 50m barrels, but it has not yet been fully appraised. The Department of Energy is keen to see Swops used only on fields which are too small to be developed conventionally, since the new method will be less efficent in extracting oil than a standard platform.

It is therefore possible that initially BP will be asked to use Swops to conduct tests on the discoveries it has made with NIOC and Deminex, to establish whether a more full-blooded development is feasible.

North Sea market undermines Opec, Page 7

Japanese economy set to grow 4% in 1985, says Fuji Bank

BY ROBERT COTTRELL IN TOKYO

THE JAPANESE economy is likely to grow by 4 per cent in real (inflation-adjusted) terms in the 1985 fiscal year ending March 31 1986, according to a newly published forecast from Fuji Bank, Japan's second-largest commercial bank.

Fuji Bank says that for the current (1984) fiscal year gross national product is likely to show real growth of 5.8 per cent. It says Japan's export growth is likely to slow in U.S. dollar terms from 15 per cent in fiscal 1984 to 6 per cent in fiscal 1985 but that import growth is also likely to slow, from 13 per cent to 10 per cent.

Another large current account surplus is projected for fiscal 1985 of perhaps $30bn, compared with a forecast $33bn surplus in fiscal 1984.

The bank expects Japan's long-term capital account to remain heavily in deficit in fiscal 1985, following a capital outflow forecast for fiscal 1984 of $41bn. The outflow this year has been directed mainly towards the U.S., to which funds have been attracted by higher interest rates.

Fuji says the U.S. "is almost certain to become a net debtor in 1985" and this could narrow Japan's capital account deficit in fiscal 1985 if confidence in the dollar is eroded. It forecasts a stronger yen in fiscal 1985, averaging perhaps Y225 to the dollar, against an estimated Y237 in fiscal 1984.

Japan's exports are expected to total $174bn in fiscal 1984 and $185bn in fiscal 1985. The bank says Japan's exports to the U.S. have been growing at a year-on-year rate of 40 to 50 per cent in fiscal 1984, accounting for 80 per cent of all Japanese export growth in the third quarter of the current year. For fiscal 1985, however, Fuji forecasts that Japan's exports to the U.S. will grow by just 10 per cent in dollar terms.

The bank says the resurgence in capital spending in fiscal 1984 is likely to mean that new facilities coming on stream in fiscal 1985 will contribute to surplus capacity, lower operating rates in export-oriented manufacturing sectors and reduced spending on new plant and equipment.

Fuji says its forecasts are based on assumptions that the U.S. economy will enjoy gradual expansion without inflation in fiscal 1985. It expects the U.S. to make a "soft-landing to slower growth" with inflation kept in check by moderate wage increases.

Britain may lose Tornado contract to France

By Bridget Bloom, Defence Correspondent, in London

BRITAIN is in serious danger of losing a £1bn ($1.22bn) contract for the Tornado combat aircraft to French competition.

Mr Michael Heseltine, the British Defence Secretary, eight days ago flew to Saudi Arabia for the third time in two months. He met the Saudi King Fahd to try to save the contract, which still hangs in the balance.

Up to last month, British Aerospace, the British partner in the multinational consortium which manufactures the Tornado, believed it had negotiated a deal satisfactory to Saudi Arabia. The contract could have been finally agreed this month.

The deal may involve as many as 60 of the Anglo-German-Italian aircraft and a further number of the British Hawk jet trainers. Also in the package were a range of training facilities tailored to Saudi needs.

It is understood, however, that two weeks ago British negotiators learned that the Saudi Government had been offered a more tempting deal by the French Government. This involved a package centred on the Mirage 2000.

According to British officials, France may have offered a better price and earlier delivery.

One of Britain's problems is that to meet the tight delivery requirements of the Saudi air force, the Royal Air Force would have to allow some of the aircraft being produced for the RAF to go to Riyadh.

While this could ease the financial constraints on the RAF, officers argue that the delay could jeopardise the force's operational readiness.

Officials at the UK Ministry of Defence were at pains at the weekend to refute suggestions that the British deal was in jeopardy because of Saudi displeasure either at Britain's policies in the Middle East or because of unsympathetic media treatment in the UK of the Saudi royal family.

They pointed out that the problems had arisen because of the extremely competitive nature of the arms business.

France and Britain have been vying for the Saudi contract for some time.

THE LEX COLUMN

BAT improves its average

By any standards BAT Industries has been one of the stock market successes of the last year – its share price has virtually doubled. It is hard to dispute, however, that in the equity market, at least, BAT still suffers from something of an image problem.

Despite their elevation, the shares remain stuck at a huge discount even to those of other international tobacco companies, on a multiple perhaps 40 per cent below the average for the whole London market. It seems a strange valuation for a company which has produced compound earnings growth of almost 20 per cent over the last five years, and shows no sign of flagging.

The market has never been short of reasons for its wary valuation of the shares. Tobacco consumption in the UK has been sliding for years, giving rise to feeling among London fund managers that cigarette manufacturing is a more than mature industry, already wheezing into a bronchial decline.

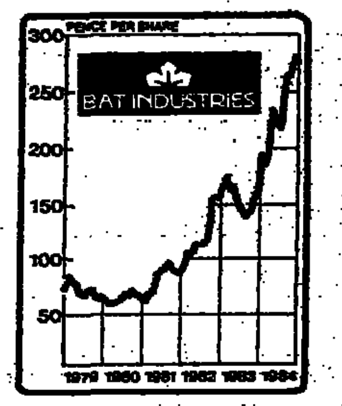
Not only that, BAT is seen to have had trouble holding on to its share of the U.S. market, and failed expensively to get a grip in the UK. What is more – the standard indictment runs on – the company is heavily exposed in South and Central America, operating in politically unstable hyper-inflation economies where the quality of earnings cannot be up to much.

Dollar earnings

On the other hand, BAT's high proportion of U.S. earnings and assets admittedly lends political respectability but of course it makes the shares sensitive to changes in the international value of the dollar. Investors are happy to take a ride on BAT, as a cheap way of buying into a rising dollar, but it is an equally old-established reflex for UK funds to sell the top slice of their BAT holdings whenever the dollar starts to look vulnerable.

Finally, and however unjustly, BAT has been tarred with the name of an indifferent buyer and manager of non-tobacco businesses. Acquisitions – preferably bringing in some UK earnings to reduce the tax bill – were long ago seen as essential by BAT's management and the City of London alike.

BAT's early efforts, however, were in some cases pretty ham-handed. Small purchases, like the Tonibell ice cream vans which BAT toyed with at one time, were never going to make much difference to its rating, even if they met with complete success. At the opposite extreme, when BAT made the City's largest ever diversification, in buying Eagle Star last year, there were plenty of people who wondered if it was going to prove a dead weight on the share price.



Mistakes could be quite damaging; International Stores, finally sold last week after a decade of struggle, was a rather agonising example, its troubles visible for years on end in every other High Street. Food retailing in the UK is an industry where it is hard to match the market leaders, and failure is obvious to the casual observation of fund-managers doing their week-end shopping.

International Stores was a recurrently sore point until it broke into profit last year. Yet the net sale price of £150m puts the whole affair into a vanishing perspective. International Stores employed scarcely two per cent of the group's total capital employed – £6.9bn in the 1984 balance sheet.

It could quite easily happen that the disposal of International Stores – trivial in the context of BAT's balance sheet – will prove a catalyst in improving its stock market fortunes. Like the decision to reverse out of the UK cigarette market early this year, it has been taken as evidence of a new flexibility in BAT's upper management.

In any event, the downmarket rating given to BAT's equity has not been shared by its offerings in the debt markets, where the virtues of its ability to generate cash seem to be more generously appreciated. Indeed, the contrast between BAT's status as a borrower and as an equity investment was thrown into sharp relief by the success of its recent visit to the Eurosterling market. BAT was able to borrow £100m – the largest straight Eurosterling bond issued by a private borrower – at extremely fine terms.

As it happened, another UK company provided a direct comparison by borrowing £50m in the same market on the previous day. Grand Metropolitan has an excellent record and stock market rating. Although its earnings per share have grown only two-thirds as fast as BAT's in recent years, the yield on its ordinary shares is at least a full point below the 5 per cent currently required of BAT. Yet the international debt markets evidently ranked the two companies quite the other way about. BAT was able to get away with paying 20 basis points less for its money than Grand Met, even though it was borrowing twice as much.

The adroitness with which BAT has been reshaping its borrowings – moving its debt to longer maturities and fixing the interest costs – has thus been rubbing off very effectively on potential lenders in the credit markets. The interesting question is whether comparable activity in rebalancing and developing the group's operating assets can have a comparable impact on equity investors, including those who deal on the various European exchanges where BAT has recently obtained listings.

Re-rating

For this to happen, BAT probably needs to justify its move into the financial sphere, if only by showing that Eagle Star can earn as good a return as BAT is used to achieving on its industrial investments. In the short run this may be difficult; the results of UK composite insurers in 1984 so far suggest that Eagle Star's profits this year may fall somewhere short of covering its financing costs. Of course the way that BAT is regarded will be more heavily influenced over time by what it does to extend this "fourth leg" of its operations.

The logical thing would be to fill in another square of the geographical and sectoral matrix by buying a West German equivalent of Hambro Life, just as BAT has recently raised its investment in West German retailing. And to keep the rerating process rolling, BAT's inevitable next takeover must at all costs fit in with the declared strategy. One extravagant change of direction can be called imaginative; another would look inconsistent.

British economy set for steady growth

Continued from Page 1

ness. The CBI believes that the recent official figures for the rise in labour costs per unit of output in manufacturing industry may be over-pessimistic. They showed a 6.2 per cent increase in the third quarter compared with 12 months earlier.

It points out that labour costs per unit of output have been falling in the countries which provide the main competition to the UK's exports.

Broadly, the CBI judges that the Government's financial management offers no threat to the economy even though the Chancellor of the Exchequer was "somewhat disingenuous" in blaming this year's overshoot in public borrowing on the miners' strike.

Increased unemployment benefits and overruns in local authority spending are as much to blame, it says. Nevertheless it believes that the Government will be able to hit its money supply targets.

The CBI's latest monthly trends survey of manufacturing industry, published with the forecast in its Economic Situation Report today gives a moderately encouraging picture of prospects for orders and output in the next four months.

CBI FORECAST

(Annual percentage change unless otherwise stated)

	1984	1985
GDP (average)	2.6	3.2
Consumer spending	2.1	2.9
Exports	5.5	4.4
Imports	7.8	5.0
Fixed investment (private)	11.5	6.5
Consumer prices, 4th Qtr	4.8	4.9
Unemployment (adults, million)	3.10	3.00
Balance of payments Current account (£bn)	−0.5	0.3
PSBR (£bn) financial yr	8.3	7.3
Exchange rate (Trade weighted, 1975 = 100)	78.6	75.0

Replies from 1,580 manufacturing companies showed the most favourable response to a question on export order books since December 1978. The balance of replies continues to suggest that output will increase in the next four months, although less strongly than in the early part of the year.

The survey also shows an improved picture of order books compared with that in the quarterly survey in October, suggesting a return towards levels in the spring and early summer.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Dubrovnik	S	20	68	Malaga	S	18	64	Salzburg	F	11	52
Akrotiri	S	21	70	Faro	S	16	61	Malta	S	22	72	Seoul	S	11	52
Algiers	S	21	70	Florence	F	19	66	Manila	S	32	90	Singapore	C	30	86
Amsterdam	F	11	52	Frankfurt	F	11	52	Miami	F	17	63	Stockholm	R	6	43
Athens	S	20	68	Funchal	F	20	68	Milan	F	9	48	Strasbourg	F	11	52
Bahrain	S	29	84	Geneva	C	11	52	Moscow	Sn	1	34	Sydney	F	22	72
Bangkok	S	31	88	Gibraltar	S	18	64	Munich	S	12	54	Taipei	R	19	66
Barcelona	S	18	64	Guernsey	S	12	54	Nairobi	F	23	73	Tangier	S	22	72
Beirut	F	22	72	Helsinki	C	−2	28	Naples	F	18	64	Tehran	—	—	—
Belgrade	C	14	57	H. Kong	S	23	73	New Delhi	S	21	70	Tel Aviv	F	21	70
Berlin	C	11	52	Innsbruck	C	7	45	New York	F	4	39	Tenerife	S	25	77
Biarritz	C	18	64	Inverness	—	—	—	Nice	S	19	66	Tokyo	S	13	55
Blackpool	R	9	48	Istanbul	S	15	59	Oporto	C	15	59	Toronto	F	0	32
Bordeaux	F	14	57	Jersey	F	12	54	Oslo	C	3	37	Tunis	S	21	70
Brussels	R	10	50	Jo'burg	F	26	79	Paris	C	13	55	Valencia	F	17	63
Budapest	F	15	59	Las Palmas	S	25	77	Prague	F	11	52	Venice	S	11	52
B. Aires	S	28	82	Lima	—	—	—	Reykjavik	F	−1	30	Vienna	F	14	57
Cairo	C	21	70	Lisbon	C	13	55	Rio de J'o	—	—	—	Warsaw	F	7	45
Cape Town	S	20	68	Locarno	F	11	52	Rome	F	19	66	Zurich	C	11	52
Caracas	C	26	79	London	C	11	52								
Casablanca	S	25	77	Los Angeles	F	11	52								
Copenhagen	C	8	46	Luxembourg	C	10	50								
Corfu	S	21	70	Madrid	F	12	54								
Dublin	F	7	45	Majorca	S	19	64								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK electricity board to tap U.S. for £200m

BY DAVID FISHLOCK, SCIENCE EDITOR, IN LONDON

A BRITISH regional electricity authority is planning to raise about £200m ($244m) in the U.S. commercial paper market, starting this week.

The South of Scotland Electricity Board (SSEB) has been given top rating by two leading U.S. rating agencies, Moody's Investors Services and Standard & Poors, and has UK Treasury approval for its first foray into the U.S. market.

This approval is taken by the state-owned utility as a mark of confidence in its commercial standing.

The SSEB, which serves the Scottish lowlands, is independent of the Electricity Council, parent body of the Central Electricity Generating Board (CEGB) serving England and Wales.

Last year the SSEB obtained 39 per cent of its power from nuclear plants, compared with the CEGB figure of about 15.5 per cent.

The utility stresses that it is raising the money for "general financial purposes." Its only substantial capital project, however, is the 1,400 MW nuclear station at Torness, near Edinburgh.

At present spending on this project is running at more than £300m a year, according to Mr Donald Miller, board chairman.

This £1.18bn project (1980 prices) is more than two thirds complete and on schedule to raise power from the first of its twin advanced gas cooled reactors (AGRs) in 1987.

In its evidence to the Sizewell B public inquiry into the CEGB's proposal to build a pressurised water reactor on the Suffolk coast, the SSEB has made a strong case for the preservation of Britain's AGR technology.

Although it has no plans to build more AGRs during the 1980s, the board has argued that the technology and design capability should be kept in good health for another Scottish order in the 1990s.

The CEGB has indicated its readiness to help by ordering another AGR station in the late 1980s.

Cheysson bid starts row

Continued from Page 1

ious to find a suitable post for his Foreign Minister when be does step down. This is particularly important at the moment as M Cheysson has carried the responsibility within the French Government for mistakes over the withdrawal of Libyan troops from Chad, and President Mitterrand does not want to be seen to be personally disavowing him.

His nomination would also mean that France is putting forward two Socialist candidates, rather than choosing one from the opposition as Britain and West Germany have done. However, M Dumas has already moved to answer such criticism in the National Assembly.

Until the latest dispute, M Delors had been successful in reassuring his prospective, commissioners that there would be no repeat of the traditional "night of the long knives" in Brussels in January, after the candidates have staged last-ditch fights to get the jobs they want.

World rush for Telecom shares

Continued from Page 1

many have shown an unexpectedly strong interest in BT. The offer has been widely debated and publicised there.

The currency risks of buying British shares has also been noted, with experts forecasting that sterling is likely to weaken against the D-Mark.

In Canada, the local investment community is expecting to get about 55m BT shares, well below the 90m which the underwriting group there had asked for

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday November 26 1984

Sweden undertakes further pioneering work in FRN market

BY MAGGIE URRY IN LONDON

SWEDEN hogged the headlines again last week, borrowing in both the fixed and floating-rate Eurodollar bond markets.

First, the kingdom showed that innovation is not a necessary part of every deal if does by launching a traditional fixed-rate issue. Then it did some more pioneering work in the floating rate note market.

Only about a quarter of Sweden's dollar debt is fixed-rate so borrowing at the high interest rates of recent years was avoided.

The current level of rates, however, gets the seal of approval from Mr Peter Engstrom, director in charge of international loans at the Swedish Debt Office. The vogue for debt warrants does not get the Engstrom stamp, though.

The $300m issue came in two tranches of five and 10-year maturities. The shorter had a 11½ per cent coupon, the longer an 11¾ per cent. By the end of the week, the short issue was trading at 99¼, but the longer one was left behind at 98¼ – suggesting the yield curve is a little steeper than the ¼ point difference in coupon.

For the $700m FRN, Sweden again adopted the auction system which worked well on a $500m issue early this month – that was five times oversubscribed. This is bigger and adds a new idea in the shape of "income rights"

The income rights effectively bump up the running yield to make it more acceptable to borrowers who fund off London interbank offered rate, rather than the bid rate Sweden is paying on the FRN. The income rights cost Sweden nothing, but should bring in extra bidders for the auction. In the when-issued market on Friday, the new FRN was trading around 99.32 – 4 basis points higher than the average bid price on the first auction.

Eurodollar bonds were helped last week by the Federal Reserves discount rate cut at mid-week, but as usual the New York market outperformed Eurobonds so by the weekend, the idea of pricing Eurodollar deals from U.S. Treasury yields became unappealing.

This week sees the second of the U.S. Treasury's targeted issues and dealers are predicting a much less successful outcome than for the first. "The bidding will be on a purely commercial basis – no politics this time," said one syndicate manager. Last week the yields on the first targeted Treasury issue had crept up to be almost in line with the domestic portion – compared with a yield 31 basis points lower on the foreign part when it was actioned.

More attention is being given to Eurodollar issues with a play on the Japanese stock market. As well as Sumitomo's equity warrant issue, and Yamaichi's convertible, a jumbo $150m convertible appeared on Friday for Nippon Electric, lead managed by Credit Suisse First Boston.

The Euroyen market also saw its first U.S. corporate borrowers last week – ready for the December 1 opening. Three issues were launched, all with Japanese houses as book runners. London's other Eurobond issuers, however, are keen to get in on the act and made promises to make markets in all Euroyen issues.

So far, the Euroyen market has not suffered a bout of painful indigestion, sometimes sees in other sectors. The Euro-Canadian dollar market is somewhat prone to that condition, and a giant-size mouthful of an issue from Quebec last week could cause some heartburn. There is still demand though for shorter maturities than Quebec's 10 years or higher coupons than Quebec's 12 per cent.

The Canadian Government bond market has been moving smartly ahead and Eurobond yields have risen above domestic levels. Quebec's 12 per cent coupon thus looked tight.

Turkey's $500m loan facility is taking shape

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A LOAN facility of $500m for Turkey was taking shape last week after Citicorp began sounding out the market on a seven-year deal to support short-term borrowing by the country's central bank.

The facility testifies to Turkey's improving credit worthiness as it begins to repay some of the debt that was rescheduled in the late 1970s. It draws heavily on the type of borrowing structure in vogue for top-rated international borrowers such as Sweden.

The idea is for Citicorp to assemble a group of lead managers willing to underwrite a back-up loan for a participation fee of ⅛ per cent per annum. If drawn, the loan would pay interest at a margin of ⅞ per cent, giving a total return, excluding fees, of 1⅛ per cent, which is more or less what Turkey would have to pay for a straight syndicated credit.

Funds would actually be raised by asking banks to bid for short-term advances to the borrower, with maturities ranging from three to 12 months. The advances would not be negotiable in the same way as Euronotes, but the procedure could encourage new lenders to do business with Turkey in the knowledge that their commitment need only be short-term.

The possible drawback is that even this appears ambitious to some banks which, in the past, have been large lenders to Turkey and are worried by the large additional exposure they might incur through their underwriting commitment. Some banks also argue that short-term lending in the form of advances might be less lucrative than the trade finance opportunities opening up as the country's economy improves.

This is one reason why the whole deal remains rather tentative. Bankers say that Citicorp has not been officially mandated by the central bank, but only authorised to assemble a lead group of potential underwriters. The deal is therefore unlikely to hit the broader syndication market before January. It is currently scheduled to constitute the country's only large bank borrowing in 1985.

Proponents of the operation believe that this is one reason why it should be attractive. Another is that Turkey will repay $500m in rescheduled debt next year and make little or no addition to its net borrowing from commercial banks. A third is that recent experience has shown strong demand for short-term lending opportunities.

Another deal coming to fruition is the long-awaited $500m, eight-year deal for Algeria, which is now expected to be raised in the name of Banque Nationale d'Algerie, as well as the originally mooted Crédit Populaire. A group of banks co-ordinated by Arab Banking Corporation and Gulf International is expected to receive a mandate shortly on the basis of a ½ per cent margin for the first five years, dropping thereafter to ⅜ per cent.

The low ⅜ per cent margin bites less into yields, coming as it does at the end of the deal. It will coincide with a reduction in principal outstanding as repayments begin after a five-year grace period.

The inclusion of a ⅜ margin has been one of the most fought over aspects of the negotiations. As the present terms stand, the lead managers have given way more than they originally intended, but the addition of BNA as a borrowing vehicle should help to sell the credit since it is better known than Credit Populaire.

In Eastern Europe the $150m credit for East Germany's Foreign Trade Bank has been increased to $400m after massive oversubscription in syndication. At this level the deal is the largest East German credit. Led by Deutsche Bank with Fuji Bank as Japanese co-ordinator, it has attracted 38 banks. Only a quarter of the money has come from German institutions, but there are no U.S. banks in the credit.

Also increased, to $300m from $250m, is the credit for Hungary, but another East European deal, the $100m for Russia's Vneshtorgbank, led by Banque Arabe et Internationale d'Investissement, has reportedly been limping rather in syndication.

Bankers say that Italy's state holding company, IRI, is now sounding the market for an Ecu 200m to Ecu 300m credit which is likely to be syndicated in the "Greek" style, whereby the borrower invites the banks in as lead managers on terms preset by itself. These would likely include a maturity of about 10 years

Strong rumours that a big European corporation is planning to launch a $1bn note issuance facility – the largest from a corporate borrower – could not be immediately confirmed.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Tsugami Corp. §	20	2000	16	(3½)	100	Yamaichi Int.	*
CNE ‡	125	1995	10	11¾	99½	Mgn. Stanley, Soc. Generale, First Interstate	11.838
Southeast Banking (b)†‡	75	1996	12	⅛	100	First Interstate	–
Sumitomo Realty & Dev. ¶	40	1989	5	(8⅛)	100	Daiwa Europe, Sumitomo Fin. Int.	*
Sweden ‡	200	1989	5	11½	100	CSFB	11.500
Sweden ‡	100	1994	10	11¾	100	CSFB	11.750
Yamaichi Sec. §	20	2000	16	(3¼)	100	Yamaichi Int. . CSFB	*
Yamaichi Sec. §	20	1995	11	(3¼)	100	Yamaichi Int., Mgn. Stanley	*
BK. Arbeit (b)†‡	75	1999	15	⅛	100	Kidder Peabody, Mitsubishi Trust	–
Sweden	700	2005	20	*	*	Tender Sale	
Nippon Electric §	150	1999	15	(3¼)	100	CSFB Yamaichi Ins., Daiwa, SBCI	*
CANADIAN DOLLARS							
EDC Φ‡	100	1989	5	11½	100	Wood Gundy, Orion Royal Bank	11.500
Amex O/s Credit ‡	50	1991	7	12¼	100½	Orion Royal Bank, Lehman Bros., Soc. Generale	12.140
Province of Quebec ‡	150	1995	10	12	100	Soc. Generale	12.000
D-MARKS							
BTR Finance ‡	150	1994	10	7⅜	100	BHF-Bank	7.375
World Bank **‡	200	1989	5	7⅛	100	Commerzbank	7.125
SWISS FRANCS							
Tobishima Corp. **¶‡	60	1989	–	3⅞	100	Citicorp Bk (Switz.)	3.875
Generale Occidentale §‡	80	1994	–	4½	100	Soditic	4.500
Sumitomo Realty & Dev. **§	130	1990	–	(2¼)	*	CS	*
New Sth Wales Treas ‡	150	1994	–	5⅜	99½	CS	5.441
New Zealand Steel	50 minimum	1996	–	(⅞)	*	Bqe Gutzwiller K.B.	*
Ind. Fund of Finland ‡	40	1994	–	5¾	100	Bqe Gutzwiller K.B.	5.750
SWISS FRANCS							
World Bank	150	1994	–	(5⅞)	*	CS	*
Fukujama Trans. Co. **‡	50	1989	–	5¾	100	UBS	5.750
EIB **	60	1988	–	5½	*	Citicorp (Switz)	*
EIB **	60	1992	–	5⅞	*	Citicorp (Switz)	*
City of Tokyo	80	1994	–	(5⅜)	*	SBC	*
Ober. Kraftwerke	100	1994	–	(5½)	*	UBS	*
ECUs							
Italy ‡	60	1992	–	10½	100	Paribas, Amro, Dresdner, IBJ, S. Paolo Bk., Soc. Gen. de Banque	10.500
STERLING							
Korea Exchange Bank (a)†‡	75	1994	10	¼	100	Man. Hanover, Schroder, Baring Bros., LBI	–
BNP (b)†‡	25	1994	8	⅛	100	MGN. Grenfell, Kleinwort Benson, S.G. Warburg	–
Royal Bk. of Canada ‡	40	1991	7	10⅞	100	Orion Royal Bk., S.G. Warburg, County Bk.	10.875
GUILDERS							
ENEL	100	1995	8	8	100	Amro	8.000
YEN							
Dow Chemical ‡	50bn	1994	10	7	100	Nomura Int., Deutsche Bk., EBC, Salomon, Smith Barney	7.000
Sears Roebuck	12.5bn	1991	7	6⅞	*	Daiwa Secs, Dean Witter, Dai-ichi Kangyo, Goldman Sachs	*
New Zealand ‡	100bn	1994	9	7.1	100	Nomura Secs.	7.100
T.R.W. ‡	15bn	1994	10	7	100	Nomura Mgn. Guaranty, Smith Barney, Sumitomo Fin.	7000
NEW ZEALAND DOLLARS							
New Zealand Forest Prod. ‡	20–30	1951	7	15¾	100	Bqe Gutzwiller	15.750

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating-rate note. Φ With debt warrants. ¶ With equity warrants. (a) ¼ over 3-month Libor. (b) ⅛ over 6-month Libor. Note: Yields are set on AIBD basis.

U.S. MONEY AND CREDIT

Focus switches from inflation to economy

THE FEDERAL Reserve Board's decision to cut the discount rate by ½ percentage point to 8.5 per cent has opened up a new Pandora's Box of uncertainties for the U.S. markets. Specifically the Fed's action has focused the market's attentions, even more than before, on the state of the economy and on the Federal budget deficit.

For this reason the Christmas season economic data will be closely scrutinised, as will the continuing debate about taxes and the deficit.

Among the economic statistics which confirmed the economy's slowing pace last week were the revised estimate for third-quarter gross national product which came in at 1.9 per cent, a 4.1 per cent decline in October durable goods orders, and October housing starts which showed an annualised pace of 1.52m units, the lowest level for 22 months.

This week will bring another batch of figures including the October leading economic indicators, due out on Thursday. The markets will also get another reminder of the impact of the Federal budget deficit when the Treasury auctions $8.5bn of one-year notes tomorrow and $6.75bn of five-year notes on Wednesday.

U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	9.28	9.55	9.11	11.77	9.11
Three-month Treasury bills (bid)	8.41	8.59	9.35	10.77	8.49
Six-month Treasury bills (bid)	8.42	8.84	9.59	10.53	8.47
Three-month prime CDs	8.85	9.37	9.90	11.90	9.10
30-day Commercial Paper	8.65	9.15	9.25	11.38	8.98
90-day Commercial Paper	8.70	9.10	9.45	11.40	9.00

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	103¾	+ 2⅛	11.13	11.61	11.92
20-year Treasury	101⅞	+ 3⅝	11.38	11.75	11.83
30-year Treasury	103⅜	+ 3	11.32	11.67	11.77
New 10-year "A" Financial	N/A	+ 2⅞	12.00	12.38	12.68
New "AA" Long utility	N/A	+ 2⅞	12.25	12.63	12.75
New "AA" Long industrial	N/A	+ 3	12.00	12.38	12.63

Source: Salomon Bros (estimates).

Money Supply: In the week ended November 12 M1 fell by $1.3bn to $546.4bn.

At the same time the Fed's move marks a major change in emphasis for the U.S. monetary authorities. The unusually forthcoming statement which accompanied the Wednesday night discount rate cut made it clear—to Wall Street at least—that the Fed's primary concern has switched from inflation (which is seen as being under control) to the state of the economy in year two of a recovery.

The timing and the nature of the discount rate cut, the first since December 1982, is also significant. It confirms a markedly more accommodative monetary stance at a time when the pace of U.S. economic expansion is seen as dramatically slowing—if not stalling.

The reaction of the U.S. credit and money markets to the discount rate cut was also interesting. Although many senior economists had predicted a cut ahead of the event—and Fed open market actions last week served to increase the expectation—the markets nevertheless staged a sharp rally on the news.

Mr Preston Martin, the Fed's vice chairman, made it clear in a television interview on Friday that the Fed's actions were aimed at reviving flagging economic growth and also that the Fed is willing to use the discount rate as an aggressive tool. "I think that we have helped over the last two or three months, in our moving behind events. As the market has brought rates down, we have supported that and now with the discount rate cut . . . we were leading the market a bit."

Most Wall Street economists believe the Fed will now sit back and assess the impact of its easing move on the economy, other interest rates and monetary growth before taking any further initiative.

Dr Kaufman, the Salomon Brothers' bear-turned-bull analyst, notes in his latest comments on credit: "Key sectors of the credit markets improved on news of the cut. This reflects the fact that the funds rate has not yet traded at 9 per cent on a sustained basis. Moreover, by acting quickly, the Fed appears to be employing the discount rate as a more dynamic instrument for monetary easing, suggesting continued decline in money market rates.

"The reduction in the discount rate paves the way for the funds rate to move into the 8½ per cent to ¾ per cent range, for additional reductions in the prime loan rate and perhaps another cut in the discount rate in January if renewed growth in M1 fails to materialise soon," he concludes.

The $1.3bn decline in M1 announced late on Friday (delayed because of the Thanksgiving holiday) leaves the basic money measure hovering barely above the bottom of the Fed's 4 to 8 per cent growth target.

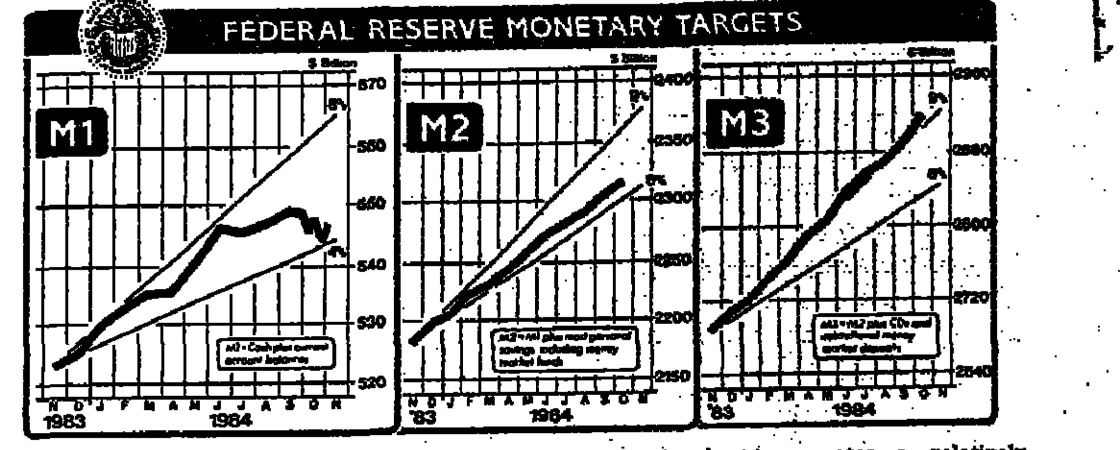
In the wake of the discount rate cut last week bond prices rallied while the dollar held fast. The Treasury long bond closed a full three points higher on the week at 103⅜ with half the rise coming after the cut, despite the thanksgiving holiday on Thursday. Government bond prices rose across the board by nearly a point on Friday, to close with gains of between 1½ and 3 points on the week.

Most money market short-term rates were also sharply lower. Private rates in particular fell by between 40 and 60 basis points, helping to reinforce expectations of another prime rate cut.

Corporate bond prices also bounced, rising by between 2½ points and 2¾ points. Medium-term new issue rates fell by between 40 and 50 basis points while long issue yields were lower by between 25 and 38 basis points.

Reflecting corporate treasurers' uncertainties about short-term rates a relatively small volume of new corporate issues was brought to market. Among the new issues Manufacturers Hanover, the New York money center bank, sold $100m of four-year 11⅜ per cent notes priced at par.

Paul Taylor



UK GILTS

Oil worries sap confidence

THE GILT-EDGED market got its promised cut in base rates last week and found it coupled with the hope of further falls in U.S. rates.

But the combination proved far less exciting than one might have guessed and most stocks ended fractionally lower.

The trouble—apart from a natural note of caution during the BT sale—was that by the time the U.S. discount rate cut had prompted UK banks to follow suit, much of the market's attention had switched to less auspicious news.

Falling spot oil prices and sterling's sudden losses against European currencies, as well as the seemingly unstoppable dollar, reminded the market of just how vulnerable Britain is to the vicissitudes of the oil market.

Brokers James Capel concluded that "most of the good news is already discounted" and with the market looking vulnerable to bad news "a period of consolidation may be the best that can be expected."

Barring a sudden cold snap, or untypical self-restraint on the part of the more wayward Opec members, oil prices are seen by some as a potential threat to the market's confidence until the organisation's meeting scheduled for December 19.

That led the pessimists to conclude that any hopes of a decisive assault on the 10 per cent yield barrier for long-dated stocks have all but evaporated over the short term.

And while there is broad agreement that the market cannot expect another cut in base rates for some time, the pessimists were saying the next move is more likely to be up.

The Treasury's insistence that it is unruffled by short-term falls in sterling's value as long as the money supply is under control has not yet convinced the City that a serious run on sterling would not be followed by a rise in interest rates.

Apart from these worries, however, few brokers could be found predicting a significant fall in gilt prices over coming weeks, and for many the potential plusses outweigh the minuses.

Mr Robert Thomas of W. Greenwell argues that the Fed's obvious worries about the slowdown in the U.S. economy mean that the U.S. should be a helpful influence, while worries over oil prices could well turn out to be exaggerated.

That, combined with strong institutional liquidity, means that the market probably has more of a chance than for some time to stay at the top of its present range and possibly make a breakthrough.

At Hoare Govett, Mr Richard Jeffrey is also confident that strong demand for stock from institutions will underpin the market for the rest of the year. Many institutions, he says, have put far too much cash aside for the BT issue, particularly in view of the expected substantial scaling-down of applications.

On that basis any setbacks in the market over the next few weeks at least may well be seen by investors as a good buying opportunity, he adds.

In the meantime brokers have been busy with their calculators to estimate the likely level of gilt-edged sales the authorities will be seeking in the rest of the financial year.

Most seem to agree that the buoyancy of credit will necessitate a significant level of overfunding, and forecasts range from around £2½bn to £3bn.

That would tend to exacerbate the shortages in the money market expected from the BT sale and accelerated VAT payments, and the Bank of England may well be forced to announce another special gilt repurchase agreement with the banks.

Philip Stephens

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Aegon Insur. 11⅞ 91	50	98¾	+0⅛	12.14
AHFC O/S Fin. 11¾ 94	100	98½	+1	11.82
All Nippon Air 14 94	100	110¼	+1	12.02
Amer. Saving 12 89	125	99¼	+0⅞	12.18
Amer. Saving 12⅛ 89	100	99⅞	+0½	12.23
Asian Dev. Bk. 11¾ 93	100	97⅝	+0⅝	12.25
Australia 11⅜ 90	100	100⅜	+0⅞	11.06
Australia 11½ 95	300	98⅜	+0⅝	11.70
Australia 11⅝ 98	100	99⅝	+0⅝	11.67
AIDC 11 89	75	97⅝	+0¼	11.72
Austria 13⅝ 92	100	108⅜	+0⅞	11.86
Bk. America 12 87	290	100⅞	0	11.54
Bk. Nova Scotia 13⅝ 87	100	102⅞	−0⅛	12.48
Bank of Tokyo 11⅞ 90	100	98⅜	+0½	12.17
Bank of Tokyo 13⅜ 91	100	105⅛	+0½	12.40
Beneficial O/S 12 91	100	97⅞	+0⅛	12.52
Br. Col. Hydro 11⅞ 93	200	99½	+0⅛	11.83
Br. Col. Hydro 12½ 14	200	101½	+2	12.66
Br. Col. Hydro 12½ 13	250	101½	+2	12.68
Britoil Fin. 11⅞ 90	125	98⅜	+0⅝	12.17
CCCE 12⅝ 95	75	101½	+1⅛	12.34
Canada 10⅞ 88	500	98⅞	+0½	11.23
Casio Computer 5⅞ 89	80	106½	+1	4.44
Citicorp O/S 10 88	300	97⅞	+0⅛	11.43
Citicorp O/S 10⅜ 90	100	94½	+1⅛	11.76
Citicorp O/S 11½ 88	100	96⅛	+0½	12.74
Citicorp 11⅜ 90	100	98⅜	+0⅛	12.04
Citicorp 11⅜ 99	100	100½	0	11.65
Citicorp O/S 14 94	100	101⅜	−0⅞	13.65
CNCA 13⅛ 91	100	103⅞	+1⅛	12.31
Coastfed Int. 12⅛ 88	125	101¼	+0⅛	11.73
Comp. Bancaire 13⅞ 90	75	105¼	+1⅛	12.47
Comsat 12⅛ 91	100	95⅜	0	13.23
Creditanstalt 13⅛ 91	100	104	+0⅝	12.15
Daiichi Kangyo 12⅛ 90	100	100⅝	+0⅞	12.08
Dart & Kraft 7⅜ 98	85	97⅛	−0⅛	8.10
Denmark 11½ 93	100	100	0	11.49
Denmark 12 91	100	98⅞	+0⅝	12.23
Denmark 12⅛ 93	100	99⅞	+0⅝	12.27
Denmark 13 91	100	103	+0⅛	12.26
Denmark 14 91	100	104⅞	+0⅛	12.91
Den Norske Cr. 11⅛ 91	50	92⅛	0	13.00
Den Norske Cr. 11⅜ 91	50	95⅛	+0⅛	12.85
Digital Equip. 11⅛ 89	150	100⅛	+0⅞	11.59
Dutch St. Mines 11⅜ 91	150	96⅛	+0⅝	12.26
EBCO Intl. 12 91	50	96	+2	12.90
Eksportfinans 11½ 90	100	97⅞	+0½	12.07
Eurofima 12½ 91	100	103	+1⅛	11.77
EEC 10⅜ 95	75	90½	+0⅞	12.41
EEC 11 87	360	99⅜	+0⅞	11.34
EEC 11 95	75	96⅜	+1⅛	11.63
EEC 12 93	100	100⅝	+0⅛	11.87
EEC 12 93	50	97½	+1½	12.47
Euro. Inv. Bk. 11½ 90	200	98⅝	+0⅛	11.82
Euro. Inv. Bk. 11⅜ 99	77	89	0	13.75
Euro. Inv. Bk. 11⅜ 91	73	94⅛	+0½	12.91
Euro. Inv. Bk. 11⅞ 93	150	99⅜	+1	11.91
Euro. Inv. Bk. 12½ 90	100	103⅜	+0½	11.58
Euro. Inv. Bk. 12⅞ 94	100	104⅜	+0⅛	11.97
EDC 11½ 89	150	98⅜	+1⅛	11.52
Export & Import 13⅛ 91	75	107½	+1	11.52
Farm Cred. Cpn. 11⅜ 93	75	98⅞	+0⅛	11.83
Firstfed Mich. I 13⅜ 89	125	102½	+0⅝	12.56
Florida Fed. 12⅛ 89	100	101¼	+0⅞	11.95
G. E. Credit 96	800	27¼	+0⅛	11.87
General Elec. 9⅜ 91	100	92	+0½	11.50
Gen. Elec. Cred. 11 91	200	97⅜	+0⅛	11.50
Gen. Elec. Cred. 11 94	200	98½	−0⅝	11.25
Gen. Motors Ac. 11⅜ 90	100	100⅛	+0⅛	11.33
Gen. Motors Ac. 12⅛ 88	200	100⅛	−0⅝	12.39
Gen. Motors Ac. 13 88	200	101½	0	11.79
GZB 14 91	100	105⅜	+1	12.65
Giro Vienna 13⅛ 91	75	103⅛	+1⅛	12.45
GTE Finance 12 96	75	100	+1⅛	11.97
Gulf Oil 10⅜ 94	100	93⅛	+0⅛	11.41
Gulf Oil 12⅛ 87	100	101⅛	+0⅝	11.48
Gulf & Western 12⅛ 89	100	97	+1½	13.04
Holl. Air. Fin. 12⅝ 91	100	98	+1	12.68
IBM Credit 13⅞ 87	100	103⅞	+0⅛	12.61
IBM 12⅜ 92	200	106	+0⅞	11.05
IC Industries 11⅞ 98	75	96⅜	0	12.37
Ind. Bk. Japan 11½ 89	125	98⅜	+0⅛	11.89
Ind. Bk. Japan 11⅞ 91	100	99⅜	+0⅛	11.92
Ind. Bk. Japan 13⅞ 91	125	106⅞	+0⅛	12.25
IADB 12⅛ 93	120	102⅛	+6⅜	11.95
Int. Bk. Rc. Dv. 11⅜ 90	200	97⅞	+0⅛	11.76
Int. Bk. Rc. Dv. 11⅜ 89	200	99⅜	+1	11.54
Int. Bk. Rc. Dv. 12 93	200	100⅞	+0⅝	11.81
Int. Paper 12 91	75	100⅛	+0⅛	11.91
Int. Stand. Elec. 97	112	22⅛	−0⅛	13.04
Int. Stand. Elec. 12 96	75	95½	+2	12.75
III 12 89	100	99⅜	+0⅝	12.03
Itoh 7½ 89	50	94⅛	+1⅛	9.13
ITT 11½ 89	125	100⅛	+0⅞	11.48
Japan Airlines 12½ 94	70	105⅜	+2⅛	11.47
Japan Dev. Bk. 11⅞ 91	100	97⅞	0	12.93
Kyowa Fin. HK 12⅞ 90	100	100⅛	+0⅝	12.63
Lac Minerals 8 89	50	97⅛	+1½	8.61
Long Term Cred 10⅜ 90	100	94½	0	12.13
Long Term Cred 11 90	100	96⅜	+0⅞	11.86
Long Term Crd. 11⅞ 89	100	98⅜	+0⅛	12.21
Long Term Crd. 12 93	100	99⅜	+0⅞	12.07
Long Term Crd. 12½ 90	85	103⅛	+1	11.68
Long Term Cred 15⅜ 89	125	106⅝	+0⅛	13.23
Macy R. H. 11⅜ 91	100	99⅛	+0½	11.79
McDonalds Fin. 11⅜ 94	75	98	+0⅛	11.98
Metro. Tokyo 12⅞ 94	50	105⅛	+0⅛	11.88
Minebea 6⅛ 89	100	102⅛	−1⅛	5.63
Mitsubishi 5⅜ 88	100	95	+1	7.24
Mitsubishi Cp. 12½ 91	100	104⅛	+1⅛	11.52
Mitsub. Gas Ch. 6⅞ 89	50	96½	0	7.84
Mitsui Eng. 7⅛ 88	50	90⅛	+0⅛	10.36
Mitsui Tst. Fin. 12 91	100	99⅛	+1	12.15
Montreal Urban 12 90	75	96⅛	+0½	12.84
Mgn. Guaranty 12⅛ 89	150	101	+0⅛	11.89
Mount Isa Fin. 13⅛ 87	100	103⅛	+0⅛	12.16
Ned. Gasunie 11⅛ 90	75	97⅜	+2	11.79
Ned. Gasunie 11⅜ 91	75	97½	+1⅞	11.80
Newfoundland 13 91	75	103⅜	+0½	12.17
Nippon Crd. Bk. 11⅞ 90	100	98½	+0⅛	12.24
Nippon Crd. Bk. 13⅞ 89	100	105½	+0⅛	12.20
Nippon Mining 6⅛ 89	50	104	0	6.67
Nippon Tel. Tel. 11⅜ 90	100	100⅜	+1⅛	11.15
Nippon Tel Tel 13[11/16] 94	150	97	0	14.41
Nissho-Iwai 6½ 89	70	89½	+1⅛	9.64
Nomura 6⅛ 88	100	103⅛	+2	5.21
Nordic Inv. Bk. 11 90	75	90⅛	0	13.61
Nordic Inv. Bk. 11⅜ 90	75	98⅛	+0⅝	12.05
Norwest Oseas. 12⅛ 91	50	93½	0	13.81
Nova Scotia 11⅞ 91	100	99⅜	+0⅞	12.14
Oester. Post. 12⅛ 89	75	100⅛	+0⅝	12.12
Ohbayashi-Gumi 7⅛ 89	50	117⅝	+0⅝	3.46
Ontario Hydro 11⅜ 94	200	98⅝	+0⅝	11.86
Ontario Hydro 11⅜ 90	200	101⅜	+0½	11.31
Ontario 12½ 94	250	105	0	11.94
Pacific Gas & El. 12 91	75	99⅛	+0¼	12.15
Penney J. C. 11⅞ 90	100	100¼	+0⅛	11.80
Penney J. C. 12⅝ 91	100	102⅞	+0½	12.09
Philips Petrol 14 89	200	104½	+0⅞	12.55
Post-Och Kred. 12 90	75	97⅞	+0⅛	12.52
Post-Och Kred. 13½ 87	50	102⅞	+0½	12.11
Prudential 10⅜ 93	150	96	+1	10.83
Prudential Ins. 12⅛ 87	150	104	+1	11.03
Quebec Prov. 12⅛ 93	100	101⅛	+2⅛	12.17
Quebec Prov. 12⅛ 94	150	101⅜	+0⅛	11.91
Quebec Prov. 13 13	100	102⅛	+1⅛	13.10
RTZ 11⅜ 93	100	93⅜	+0⅝	12.83
Rockefeller 13⅛ 89	100	103⅛	0	12.19
RBC 11½ 89	100	98⅛	+1⅛	11.98
Royal Bk. Scot. 11½ 93	75	96⅛	0	12.18
Royal Bk. Scot. 11⅞ 93	75	94⅞	+0½	12.87
Rural Bk. Aust. 12 91	50	96⅞	+0⅛	12.73
Sanwa Intl. Fin. 12⅛ 90	80	100⅛	+0⅞	12.09
Scot. Intl. Fin. 14⅜ 96	50	104⅛	0	13.44
Sears O/S Fin. 98	500	21½	0	11.93
Sears Roebuck 10½ 91	150	95½	+1	11.56
Sears Roebuck 11⅜ 93	150	100½	+0⅜	11.57
Sears Roebuck 11⅞ 91	150	99	+0½	11.8-
Sears Roebuck 11½ 88	125	100⅛	+1	11.25
Sec. Pacific 11⅜ 88	100	99⅛	+0⅛	11.94
Sec. Pacific 11⅜ 89	75	96⅛	+0⅛	12.79
Sec. Pacific 12 92	100	97⅛	+0⅛	12.46
Seino Trans. 6⅞ 89	50	93	+0½	8.87
Shearson/Amex 12⅛ 94	100	98⅛	+1⅛	12.45
Standard Chart. 11⅜ 94	200	100	0	11.49
Statoil 12 88	100	102	+0⅜	11.20
Statoil 13⅜ 89	100	106⅜	+1⅛	11.51
Sumitomo Fin. 12⅛ 91	150	101⅜	+0⅜	12.33
Sweden 12⅛ 89	200	102⅛	+0⅝	11.68
Swedish Export 11½ 89	100	98⅛	−0⅛	11.98
Taiyo Kobe 12 90	100	99	+1⅛	12.23
Texaco 10½ 90	200	94¼	+0⅛	11.89
Texaco 10½ 93	200	95	+1⅛	11.42
Texaco Capital 13½ 89	200	104⅛	+0⅛	12.21
Texas Instr. 11⅞ 91	150	98⅞	+0⅛	12.11
Tokai Asia 12⅛ 91	100	99⅜	+0⅛	12.31
Tokyo Electric 6½ 89	70	92	+1	8.79
Tokyo Electric 13⅛ 88	100	104⅞	+1	11.91
Toronto-Dom. 12⅝ 89	60	101⅛	+1	12.04
UBS 12⅛ 91	100	103⅛	−0⅛	11.25
Veba 8 93	70	114½	+1⅛	5.88
Warner-Lambert 10⅜ 90	100	95	+1⅛	11.29
West LB 11⅞ 90	100	98	+0⅜	12.35
Weyerhaeuser 11½ 90	60	97⅛	+0⅝	12.20
Yasuda Trust 12⅜ 89	100	100½	+1	12.17

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
Allied Irish ¼ 92	100	100⅛	0	11⅛
Allied Irish ⅛ 95	100	99½	+0⅛	12[5/16]
Arab Bank Cpn. ⅛ 96	100	100	+0⅛	12⅛
Oster. Lnbk. ⅛ 99	100	99⅞	0	11[11/16]
BAII ⅛ 91	50	99⅛	+0½	12
Banca Lavoro ⅛ 91	100	100⅛	+0½	10[9/16]
Banca Naz D.A. ⅛ 91	75	100	0	12⅞
Banco Napoli ⅛ 95	100	100⅛	+0⅛	10[9/16]
Banco di Roma ⅛ 90	75	100⅛	0	12[5/16]
Banco Hispano ⅛ 95	100	100	+0⅛	11[5/16]
BCCI ⅛ 90	60	98⅞	0	12⅜
Bankers Tr. NY. ⅛ 96	200	100½	+0⅛	9⅞
Bank of Helsinki ⅛ 99	50	98⅛	0	11[11/16]
Bank of Greece ⅛ 94	150	98⅛	+0⅛	11[11/16]
Bank Montreal ⅛ 96	250	100⅛	0	10⅛
Bank of New York ⅛ 96	75	99⅞	+0⅛	11[5/16]
Bqe. Dev. Econ. ⅛ 90	60	96½	−0½	12[11/16]
Bqe. l'Indosuez ⅛ 99	150	100⅛	+0⅛	12[5/16]
Bqe. Nat. Paris ⅛ 88	400	101	+0⅛	12½
Bqe. Nat. Paris ⅛ 95	400	100⅛	+0⅛	12⅛
Barclays O/S ⅛ 04	350	100⅛	0	12[5/16]
BBL ⅛ 99	100	100	+0⅛	11[11/16]
Belgium ⅛ 94 £	100	99⅜	−0⅛	10[7/16]
Belgium ⅛ 04	400	100⅛	+0⅛	13⅛
BFG Finance ⅛ 96	100	99⅛	−0⅛	12⅛
Credit Commerce ⅛ 98	125	100⅛	+0⅛	12
CEPME ½ 89	145	99⅛	0	12[5/16]
CEPME ⅛ 96 £	100	99⅞	+0⅛	11⅛
Citicorp O/S ⅛ 91 £	100	99⅛	0	10
Caisse Nat. Tel. ⅛ 90	275	100⅛	+0⅛	11[5/16]
Caisse Nat. Tel. ⅛ 91	250	100½	0	10⅛
Commerzbank ⅛ 89	100	99⅛	+0⅛	9[13/16]
Creditanstalt ⅛ 94	125	100½	+0⅛	13[5/16]
Creditanstalt ⅛ 96	150	100⅛	+0⅛	12[5/16]
Credit Commerc. ⅛ 96	250	100⅛	+0⅛	12⅛
Credit Foncier ⅛ 93	500	100⅞	0	12
Credit Lyonn. ⅛ 96	300	100⅛	0	12⅛
Credit Lyonnais ⅛ 96	250	100⅛	0	12⅛
Credit National ⅛ 95 £	100	100	+0⅛	11
Dai-Ichi Kngyo ⅛ 89	150	100	+0⅛	10[5/16]
Dansk Olie ⅛ 99	100	99⅛	−0⅛	10[5/16]
Denmark ⅛ 98 £	100	100	0	10
Denmark ⅛ 90	500	100⅛	−0⅛	11⅛
Denmark ⅛ 04	500	100½	+0⅛	10⅛
Denmark ⅛	600	100½	+0⅛	12⅛
Dresdner Bank ⅛ 93	400	101⅛	+0⅛	11½
Dresdner Bank 0 89	350	99⅜	+0⅛	9[13/16]
EAB Finance ⅛ 93	75	100	+0⅛	12⅛
Eldorado Nuke 0 89	100	100⅛	+0⅛	12[5/16]
Elec. de France ⅛ 99	400	100½	+0⅛	12⅞
ENEL ⅛ 93 £	100	99⅞	+0⅞	11⅛
Equitable O/S ⅛ 94	50	98⅛	0	11⅛
Exterior Intl. ⅛ 98	125	99⅞	+0⅛	10[11/16]
Ferro. del. Stat. ⅛ 99	250	100⅛	+0⅛	12½
Fiat Finance ⅛ 94	100	98	−0½	12
First Aust. Bk. ⅛ 92	50	99⅞	+0⅞	12[11/16]
First Interstate ⅛ 95	150	99⅛	0	12⅛
Fuji Bk. ⅛ 96	200	100⅛	+0⅞	12⅞
Genfinance ⅛ 94	100	100½	0	12⅞
GZB ⅛ 96	50	100	0	12[5/16]
Gotabanken ⅛ 94	50	99⅛	−0⅛	10⅛
GW O/S Fin. ⅛ 94	100	99⅛	+0⅛	12
Grindlays ⅛ 94	100	100⅛	0	12½
Indonesia ⅛ 93	250	98	0	12
INI Perpet. ⅛ 00	150	99⅞	0	11[13/16]
Interfirst Tex ⅛ 89	100	95⅛	+0⅛	9⅞
Int Bk Rec Dev [11/16] 89	250	100	+1⅛	11⅛
Ireland ⅛ 93 £	50	100	0	10[5/16]
Ireland ⅛ 94	300	100⅛	+0⅛	13⅛
Italian Intl. ⅛ 91	60	98⅞	0	13
Italy ⅛ 99	500	100½	+0⅛	12⅛
Kansallis-Osak ⅛ 92	100	100½	+0⅛	12½
Kleinwort Ben. ⅛ 96	100	100⅛	+0⅛	12[5/16]
Kone Corp. ⅛ 94	50	99⅛	−0⅛	12[5/16]
Korea Exch. Bk. ⅛ 93	50	99⅛	0	12⅛
Lloyds Eurofin ⅛ 92	100	100⅛	0	12⅛
Lloyds Eurofin ⅛ 93	200	100⅛	+0⅛	10[13/16]
Lloyds Bank ⅛ 04	250	100	+0⅛	11⅛
Malaysia ⅛ 93	860	100½	+0⅛	12[7/16]
Megal Fin. [1/16] 94 CU	100	99⅞	−0⅛	9[13/16]
Midland Intl. ⅛ 89	125	100⅞	0	12⅛
Midland Intl. 0 91	150	100⅛	+0⅛	11
Midland Intl. ⅛ 99	200	100⅛	+0⅛	12⅛
Mitsui Fin. ⅛ 96	100	100⅛	0	12[5/16]
Montreal Urban 0 91	150	100⅛	0	12[5/16]
Morgan Grenfell ½ 94	50	100	+0⅛	13[5/16]
Morgan J. P. Intl. ⅛ 97	250	100⅛	+0⅛	9[15/16]
Mtge Bk Denmark ⅛ 93	150	100⅞	+0⅛	12[11/16]
Mtg Bk Dnmrk [1/16] 94 £	50	100	0	10⅛
Mtge Bk Denmark ⅛ 89	125	100	0	11⅞
Nat. Bk. Canada ⅛ 91	50	100	0	13⅛
Nat. West. Bank ⅛ 90	150	100½	0	13[5/16]
Nat. West. Fin. ⅛	365	100⅛	0	12⅞
Neste Oy ½ 94	100	100⅛	0	10⅛
Oko Bank ⅛ 92	50	100½	+0⅛	12⅛
Pirelli Fin. ⅛ 94	50	99⅛	0	12⅞
Portugal ⅛ 92	100	97½	+0⅛	12½
Premier Grp. ⅛ 89	50	98½	+0⅛	12
Quebec Hydro ⅛ 94	200	100⅛	+0⅛	12⅞
Queensld. Coal ⅛ 96	365	100⅛	0	10[5/16]
Queensld. Coal ⅛ 85	46	100½	+0⅛	10[5/16]
Renfe ⅛ 91	100	100⅛	+0⅛	12⅛
Saitama Intl. ⅛ 93	60	100⅛	+0⅞	12[11/16]
Sanwa Intl. ⅛ 92	150	100⅛	0	12⅛
Sanwa Bk. ⅛ 04	150	100½	0	12⅞
Scandivia. Fin. ⅛ 93	70	99⅛	−0½	12[7/16]
Scot. Intl. Fin. ⅛ 92	100	100½	+0⅛	11[13/16]
SEAT ⅛ 93	100	99⅜	+0⅛	12⅛
Skopbank ⅛ 94	75	99½	0	13
SNCF ⅛ 93 £	75	100½	+0⅛	10[13/16]
Soc. Generale ⅛ 91	125	100⅛	0	13[5/16]
Soc. Generale ⅛ 94	250	100½	+0⅛	12[5/16]
Spain ⅛ 97	250	100⅛	+0⅛	12⅛
Standard Chart. ⅛ 91	100	100⅛	+0⅛	10⅛
Standard Chart. ⅛ 94	200	100½	0	13
Sumitomo Tst. ⅛ 94	100	100⅛	+0⅛	12[7/16]
Sweden ⅛ 03	1bn	100⅛	+0⅛	10[7/16]
Sweden ⅛ 24	500	99⅜	+0⅛	11[13/16]
Sweden ⅛	750	100½	0	13⅛
Taiyo Kobe F. ⅛ 04	100	100	+0⅛	10⅛
Thailand ⅛ 00	85	100	0	12[13/16]
Tokai Asia ⅛ 99	150	100⅛	0	12½
Toyo Tst. Asia ⅛ 99	100	100⅛	+0⅛	12⅛
TVO Power ⅛ 04	100	98⅛	−0⅞	10[5/16]
Union Bank-Norw. ⅛ 89	50	98½	+1	12[5/16]
Vizcaya Intl. ⅛ 96	75	100	−0⅛	10½
Wells Fargo [1/16] 96	50	99⅛	+0⅛	9⅜
Yokohama Asia ½ 94	100	100⅛	+0⅛	11⅛
Yorkshire Int. ⅛ 94 £	75	98⅜	0	11[5/16]

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	98⅞	−0⅛	
BBC Brown Bov. 4⅛ 96	57	88½	0	5.86
Comsat Intl. 7⅛ 98	110	75⅛	+0⅛	52.45
Daiwa Secs. 5½ 98	60	117⅜	+0⅛	2.94
Dev. Bk. Sing. 5½ 98	70	80	0	8.57
Elders 11⅛ 94	190	109	−0½	53.76
Elektrowatt 5 98	52	77⅛	−0⅛	4.48
Fanuc 3⅛ 98	90	156⅛	−7	3.03
Fujitsu 3 99	180	103	−0⅛	6.3E
Intec. Inc. 3 99	50	88⅛	+4	−1.61
Konishiroku 4 98	50	83⅛	−1⅛	2.94
Man. Hanover 11⅛ 96	100	95½	−0⅛	
Mitsubishi H. 4⅛ 98	100	91⅞	−1⅛	1.47
Moet-Hennessy 7 99	50	102	−0⅛	7.19
Murata Mfg. 3½ 99	100	107⅛	−2⅛	0.56
Murata Mfg. 3½ 00	100	104⅛	−3	1.02
Nippon Oil 3⅛ 99	50	90⅛	+0⅞	9.15
Ono Pharm. 3⅛ 98	60	122⅞	+2⅛	−28.42
Sekisui 3 99	60	99⅛	−2⅛	1.83
Soc. Gen. Surv. 4½ 94	51	85	0	142.19
Sumitomo Corp. 2⅞ 99	70	84⅛	−1⅞	−0.13
Texaco Capital 11⅛ 94	1bn	100⅛	+0⅞	46.00
Texaco Capital 11⅞ 94	500	99½	+1⅛	44.56
Usair Finance 7 98	50	98⅛	−0½	7092
Yamanouchi 4 90	60	132⅞	+4⅛	0.75

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev. Bk. 7⅛ 94	15	99⅛	+0⅞	7.41
IADB 7⅛ 93	15	102⅛	+8⅛	7.50
New Zealand 7⅛ 90	15	99⅛	+0⅛	7.15
World Bank 7 94	20	99⅛	+1⅛	7.06
World Bank 7⅛ 93 20	20	101⅛	+0⅛	7.41

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
E. Coal & Steel 10½ 94	1bn	101½	0	10.19
Euro. Invst. Bk. 10⅜ 94	1bn	101⅛	+0⅛	10.20
Int. Bk. Rc. Dv. 10⅜ 89	1bn	102⅛	+0⅛	9.62

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	102⅛	+0⅛	7.38
Aegon Insur. 8⅛ 89	100	104	+0⅛	7.18
Amro Bank 8 89	200	102⅛	+0⅛	7.32
Amro Bank 8⅜ 88	100	104⅛	0	7.33
Bk. Mees&Hope 8⅛ 89	100	102⅞	+0⅛	7.42
Beatrice Foods 8⅛ 89	100	101	−0⅛	7.96
C. C. Rabo 8 89	150	102⅛	0	7.40
C. C. Rabo 9 88	100	105	0	7.52
Denmark 8½ 91	100	102⅛	+0⅛	8.03
Int. Bk. Rec. Dv. 8⅛ 89	150	102⅛	+0⅛	7.48
Int. Stand. Elec 8½ 89	100	103⅛	+0⅛	7.59
Ned. Midd. Bank 9 88	100	105⅛	+0⅛	7.30
New Zealand 8⅛ 89	100	103⅛	+0⅛	7.38

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Br Col Prov 12 93	100	99⅛	+0⅞	12.11
Bqe l'Indosuez 14 91	75	104⅛	+0½	12.96
Br Col Munic 13½ 91	100	104⅛	+1	12.46
Br Col Tele 12⅛ 89	70	99⅛	+0⅛	12.29
Farm Cred Corp 12⅛ 90	75	104	−0⅛	11.26
Int Bk Rec Dev 12⅛ 90	75	104⅛	0	11.21
Montreal City 12½ 91	70	101⅛	+0⅛	12.14
Quebec Hydro 14 91	75	106⅞	+1⅛	12.37

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
Australia & NZ 10⅜ 91	50	100⅛	0	10.37
Oesterreich 10⅛ 93	100	102	−0⅛	10.25
Cred National 11⅛ 91	50	104⅛	−2⅛	10.31
Denmark 10⅜ 91	75	101⅛	−0⅛	10.47
Ebco Intl 10⅞ 89	55	100⅞	−0⅞	10.58
EEC 10½ 91	60	100⅛	+0⅛	10.31
EEC 11 93	50	104⅛	−0⅛	9.95
EEC 11⅛ 91	50	104⅛	−0⅛	10.32
EEC 11⅛ 93	70	106⅛	−0⅛	10.07
Eur. Coal&Steel 6 94	60	99⅛	0	11.00
Euro Invest Bk 10⅛ 89	50	103⅞	−0⅛	9.43
Euro Invest Bk 10⅜ 94	100	101⅛	−2⅛	10.37
Euro. Invest Bk. 11⅛ 92	75	104⅛	−1	10.20
Euro. Inv. Bk. 11⅛ 93	50	105⅛	0	10.12
Euro. Invest Bk 11⅛ 96	50	103½	−0⅛	10.70
Gen. Finance 11 90	70	103	−0⅛	10.28
Gte Finance 10⅞ 92	50	102	−0⅛	10.45
Int. Bk. Rc. Dv. 10⅛ 88	100	102⅛	− ⅛	9.80
Int. Bk. Rec. Dv. 11 93	50	105⅛	−1	10.09
Italian Treas. 11½ 90	80	103	+0⅛	10.78
Megal Finance 11⅛ 94	100	101⅛	+0⅛	10.98
Nippon Cred. Bk. 11 91	50	102½	0	10.43
Nordic Inv. Bk. 6 94	50	98⅛	+2½	11.02
Post Och Kred. 10⅞ 92	50	99½	+0⅞	10.95
Royal Bk Can 10½ 89	85	100½	−1⅛	10.32
SNCI 10⅞ 94	60	101⅞	−0⅛	10.53
Swedish Export 11 89	68	103⅛	−2⅛	10.00
WestLB 10⅞ 91	50	103⅞	−0⅛	9.99

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AIDC 12⅛ 90	42	98⅛	+0⅛	13.02
Nat Aust Bk 12⅛ 89	40	98	+0⅛	13.07
PIBA 13⅛ 88	40	101⅞	0	12.98
PIBA 12⅛ 89	50	97⅛	+0⅛	13.11
State Bk NSW 12⅛ 89	40	99	+0½	12.51

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
Europarat 11⅛ 92	50	99⅞	0	11.38
Denmark 10⅛ 89	75	98⅛	−0⅛	11.13
EEC 11⅛ 94	50	101⅛	+0⅛	11.05
EEC 11⅞ 93	50	103⅛	0	11.24
Euro. Invest. Bk. 10⅜ 92	75	97⅛	0	11.31
FFI 10⅜ 93	50	97⅞	0	11.13
Finland 11⅞ 88	50	103	+0⅛	10.84
I.A.D.B. 11⅛ 91	60	100⅛	0	11.31
Int. Bk. Rec Dev 10⅜ 89	100	98½	−0⅛	11.03
Int. Stand. Elec. 11½ 89	50	100½	0	10.95
Inv. In Indust. 10½ 91	50	95⅛	0	11.56
Inv. In Indust. 11½ 91	50	102⅛	+0½	10.94
Ireland 11⅛ 94	50	98	+0⅛	11.71
New Zealand 10⅜ 89	100	98⅛	0	11.14
SNCF 11⅛ 94	60	99⅞	−0⅛	11.25
SNCF 11½ 89	30	102	−0½	10.94

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
BASF Overzee	29/2/88	64	0	115.14
Bayer Int. DM	1/7/87	86	0	113.67
Bayer Int. DM	28/2/89	76	0	116.42
Ciba-Geigy Int. £	1/11/93	170	+5	111.03
Com. Fin Deut. DM	31/5/87	143	0	68.03
C. Itoh	20/1/87	37	−0⅛	
C. Itoh DM	4/5/89	10⅞	−0⅛	422.98
Credit Suisse	31/5/86	20½	+ 0½	98.30
Degussa Int. DM	2/5/93	158½	−7	130.98
Deutsche Bank DM	16/6/91	150⅛	−1⅛	127.49
Dresdner Fin DM	1/9/92	0		
Dresdner DM	19/10/93	64	+14	125.00
Hoechst DM	1/2/93	87	−0½	110.56
ICI Finance	1/6/90	230	0	
IC Industries	15/6/88	10⅛	0	225.00
Int. Pirelli	14/6/88	14½	0	117.36
Minebea Co.	20/2/89	23⅞	−2⅛	961.88
Mitsubishi Ch.	20/1/87	18⅛	+0½	
Mitsubishi Cp.	7/11/88	16⅛	+1	877.91
Mitsui	10/12/87	16	0	
Nippon Mining	17/3/89	78½	+0⅛	
Nisho Iwai	1/2/89	9⅛	−0⅛	
Nomura Sec.	31/10/88	23⅞	+0½	868.20
Omron Tateisi	31/3/89	18⅛	+0⅛	335.38
Philips Gloeil	15/7/88	14	−2	196.51
Prudential O/S	15/12/88	95	0	914.09
Renown	24/1/89	7⅛	−0⅛	424.09
Schering DM	12/9/90	130	0	121.06
Seagram Comp.	15/9/88	10⅛	−0½	101.28
Seino Trans	17/3/89	12⅞	−0⅛	432.61
Seiyu Stores	20/3/87	56	0	
Siemens Wstn DM	31/5/90	239	+1½	106.21
Sumitomo Cons.	24/3/89	42	0	
Sumitomo Heavy	24/2/89	13	−0½	
Swiss Bk. Corp.	20/12/88	25⅛	−2⅞	119.86
Tokyo El. Pwr.	14/3/89	12⅛	−0⅛	355.44
Toray Ind.	5/3/87	11½	0	789.14
Veba Int.	16/12/93	58⅞	−1⅛	130.28

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins. 11⅛ 91	14/2/88	16⅛	0	8.07
CCCE 11⅛ 89	16/12/84	1	0	11.42
CEPME 10 93	4/3/85	1	0	12.37
Commerzbk 11⅛ 88	17/7/88	24	−0⅛	6.36
Creditanstalt 14 91	31/7/89	66	+2	3.21
Denmark 11½ 93	16/12/88	47⅜	+7⅛	4.88
D. Norsk Cr 11½ 91	1/2/88	12	−0⅛	10.16
Dv Bk Sing 14½ 89	12/9/86	54⅛	0	1.49
Du Pont 13⅛ 89	25/8/86	49⅛	+1⅛	1.52
Ekaportfinas 13⅛ 89	15/9/87	44½	−1⅛	2.86
G Elec Cred 11 94	17/12/89	7	0	10.83
Gen Elec 12⅛ 91	7/8/87	44⅞	+0⅞	4.78
H'sebid Fin 11⅛ 90	1/12/85	8⅛	0	9.64
IBM Credit 13 87	19/8/85	43⅛	+3	−3.46
Inv In Inds 10½ 91	1/12/88	63	−1	0.90
ITT 11½ 89	30/11/84	1⅛	+0⅛	11.12
M. Hanover 13⅛ 87	1/9/88	21⅛	−0⅞	4.13
McDonlds F 11½ 94	5/1/89	35	+5⅞	6.02
Morgan J.P. 10⅜ 90	16/8/87	17⅛	−0⅛	8.11
Nordic Inv Bk 11 90	16/11/87	16⅛	0	9.55
Oester Lnbk 13½ 88	9/8/87	46⅛	+1	1.61
Penney J. C. 10⅞ 90	16/10/87	15⅛	−1⅛	7.39
Post-O. Kred 11⅛ 90	18/11/87	11½	−1	9.35
Royal B Scot 11½ 93	15/11/88	21⅞	0	8.58
Std Chart 11⅛ 94	6/1/88	2½	+0½	11.04
Texaco 10½ 93	15/11/87	16⅛	+0⅛	8.70
Thman-Brdt 13⅛ 91	29/8/86	41	+1	5.73
Weyerhaeuser 11 90	15/11/87	16½	−1⅛	8.16
Xerox 13⅛ 87	15/8/85	30½	+4⅛	0.66

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month: § above mean rate) for U.S. dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on November 23

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Exploding poison pill bid defence on trial

THE CHANCERY COURT in Delaware has witnessed a display of legal and mental gymnastics in the last few weeks that can rarely have been equalled, even in the convoluted history of American corporate law.

The case involves a fearsomely complex new takeover defence fhich has been called the "exploding poison pill" and which was invented by one of the most brilliant U.S. corporate lawyers, Mr Martin Lipton of Wachtell Lipton Rosen and Katz. Variously described as "outrageous," and "devastatingly brilliant," the scheme has come up for its test case in Delaware after a shareholder at one of Mr Lipton's guinea pigs, Household International, brought an action against it.

Everyone having anything to do with the booming Wall Street takeover business is anxiously awaiting the outcome of the Delaware case.

Among these must be Colgate-Palmolive which has constructed defences to an unwelcome takeover bid along Lipton lines, and Sir James Goldsmith, the UK financier. Sir James has asked leave from the Federal Trade Commission to increase his stake in Colgate (currently thought to be around 3 per cent) to over the 10 per cent level—perhaps indicating an intention to make a bid for a greater stake in the household products group.

Two other companies which will be closely watching developments are Crown Zellerbach and Owens-Illinois. Both have already pushed through their own versions of the plan, and Wall Street investment banks, never slow to plagiarise a good idea, are said to be queuing up with a long list of other worthy clients if Household International receives a clean bill of health from the Delaware court.

The mechanics of the Lipton defence work roughly as follows: In a first step, shareholders in Household International, one of the largest consumer finance companies in the U.S., are being issued rights to buy preferred stock in the form of a dividend distribution. The price set for the exercise of these rights is ridiculously high, so no one will buy them, but in this way, the board has been able to issue the rights, to which other, more important uses are attached, without going through a lengthy appeal to shareholders—always a dangerous warning signal to predators.

The second step injects some real anti-takeover sting into the rights. A provision attached to the rights says that if the company is "acquired" they "explode" to give the stockholder a claim on the purchaser of double the amount of the exercise value of the rights. In the case of Household, a shareholder would have to pay only $100 for each $200 of stock in the acquirer.

Lawyers say that the theory on which the "exploding" right is based goes back to the sort of claims for convertibility into another company's stock which have to be attached to preferred convertibles to take account of takeovers.

The way the scheme is structured leaves the rights as a dormant element in the company's normal day-to-day operations. They would trade implicitly with the shares, thus in no way diluting the equity, or altering its valuation (indeed, companies that have issued the rights have seen little reaction in their share prices).

The sting comes out only once a takeover is launched, either through the acquisition of 20 per cent of the equity or a tender offer for more than 30 per cent. At that point, the rights "explode." Floating off independently until that time, they can be redeemed at the board's discretion for a nominal sum; thereafter they become unredeemable, and a serious—some say overwhelming— impediment to a takeover.

The Wall Street sages who oppose the Lipton defence are cock-a-hoop after the 10 days of trial hearings. Indeed, one distinguished investment banker has bet an opposing learned friend a magnum of champagne on the issue.

Simplifying enormously, the opponents believe the plaintiff has shown that the Household scheme is unfair to shareholders. The Lipton defence mechanism, they say, makes takeovers so difficult and complicated that they may never be attempted. Yet Congress has always stood by the right of a bidding company to make an offer to shareholders over the heads of the defending board — indeed, hostile tender offers evolved just for this purpose.

Household accepts that the measures are complex. In a somewhat disingenuous preamble to its explanation of the scheme, it says that it creates "rather complicated situations that may be difficult for a potential raider to evaluate . . . in so doing it may deter a takeover."

At the heart of the defence, however, is the idea that tender offers have now got out of hand.. The Lipton plan is particularly designed to dissuade the so-called two-tier, front-end-loaded tender offer. This is a device frequently used to scare shareholders into accepting a deal by threatening less attractive terms on outstanding shares mopped up after the completion of a merger agreement.

Household's lawyers have rested much of their legal defence on the notion of good business practice—the concept that directors have a certain discretion to decide what is best for their company, since that is what they are elected to do.

Simple poison pill defences, in which companies discourage takeovers by issuing preferred stock that can have an enormous dilutive impact on the common shares, have in the past been accepted by the Delaware court on good business practice grounds.

Moreover, Household claims, there is a way around its defences for a bid made in good faith and at a genuinely fair price.

For if a potential purchaser is rejected by the board, he can then go ahead with a tender offer that is made conditional on the rights being redeemed. Any bidder who had been promised, say, 75 per cent of the equity on these grounds, could be fairly sure that shareholders would vote out the board of the target company if it still refused to redeem the rights.

The plaintiff is naturally hardly convinced by this argument. Bankers close to the Delaware proceedings say that every time witnesses took the stand to explain how the deal would work they ended up as confused as anyone else. "This is the most effective takeover defence ever devised," says one reluctantly admiring opponent.

Pity the poor judge. He only has two months to make sense of this latest product of Wall Street's legal wizards.

Terry Dodsworth

Australia vetting 42 banking applications

By Michael Thompson-Noel in Sydney

AUSTRALIA'S decision to throw the gates open to foreign banks has resulted in 42 separate applications for new banking licences, Mr Paul Keating, the country's Finance Minister said yesterday. Applications closed on Friday, and came both from domestic and foreign interests.

Mr Keating said applications were already being scrutinised and that he hoped to name the successful ones early in the new year—probably by the end of February.

The decision to open up the banking market is the latest step towards full deregulation of the Australian banking and finance sector initiated by Mr Bob Hawke's Labor Government, which looks certain to be re-elected in next Saturday's General Election.

In its first 20 months in office, the government has floated the Australian dollar, lifted all foreign exchange restrictions, allowed non-bank institutions to deal in foreign exchange, and liberalised the sharebroking business.

"There is hardly a regulatory stalk left standing," said Mr Keating in Sydney yesterday.

He declined to say which banks or other groups had applied for new banking licences, of which about "half a dozen" are likely to be granted. However, applications have been received from 19 countries, including the U.S., Canada, Japan, Singapore, the UK and other European countries, he said.

In addition there were 18 applications involving Australian equity, or the possibility of it, ranging from 20 to 50 per cent. Some applicants wished to provide a full range of wholesale and retail services, others more specialised facilities.

Mr Keating said the aggregate amount of initial capital proposed by the 42 applicants was more than A$2.3bn ($2bn) or an average of A$54.8m each.

The Government has already said that the Bank of China has been authorised to open an Australian branch.

INTERNATIONAL APPOINTMENTS

Governor elect for Bank of Ireland

BY BRENDAN KEENAN IN DUBLIN

Professor Louden Ryan has been appointed Governor elect of the BANK OF IRELAND. Prof. Ryan holds the chair of Political Economy at Trinity College, Dublin, and is a leading figure in Irish commercial as well as academic life. He has been a director of the bank since 1978 and before that was a director of the Central Bank for 11 years. He served on the National Planning Board which prepared the ground for the Government's national economic plan, published recently.

He will succeed Dr D. S. A. Carroll at the end of July next year, on the completion of Dr Carroll's three-year term.

● **Mr Gerald Scanlon** has taken up his duties as chief executive of ALLIED IRISH BANKS. Mr Scanlon, who has served his whole career with the bank, was involved, as general manager group development, with the recent major acquisitions of First Maryland Bankcorp and the Insurance Company of Ireland. The insurance company acquisition has brought problems with it and one of Mr Scanlon's priorities will be to restore it to profitability.

President of Fiat France announces resignation

BY OUR MILAN CORRESPONDENT

Sig Vittorino Chiusano, president of FIAT FRANCE and the Turin-based car maker's director for European Community relations, has announced his resignation from Fiat. Sig Chiusano is resigning in order to devote himself to his new work as a member of the European Parliament in Strasbourg.

Sig Chiusano, who has been with Fiat for 30 years, was elected as a Christian Democrat in last June's European elections. Sig Chiusano, who is 59 years old, is also vice-president of the Christian Democratic group of Strasbourg deputies.

Another executive leaving Fiat is **Dr Emilio Fossati**, who was the director of finance and administration for Fiat Auto, the car division. Dr Fossati, who is 47 years old, was recently appointed the managing director of Compagnie Industriale Riunites (CIR), the Turin-based, diversified group controlled by Sig Carlo de Benedetti, the Olivetti chairman.

Dr Fossati, an Olivetti director for nine years, says he looks forward to developing CIR as a holding company.

Promotion to main board of Nomura Securities

BY DONALD MACLEAN

Mr Masaaki Kurokawa, has been appointed a managing director on the main board of NOMURA SECURITIES COMPANY, of Japan, and chairman of NOMURA INTERNATIONAL, of London, which co-ordinates the European activities of the group.

Nomura, in company with other leading Japanese securities houses, has long been pressing for licensed deposit taking status in the UK and Mr Kurokawa's appointment, to take effect early next year, comes at a time when its banking ambitions have apparently been furthered by the intercession of Japan's Ministry of Finance on behalf of the houses.

Mr Kurokawa, who is taking charge of Nomura Securities international and corporate finance divisions in Tokyo, sees London, Tokyo and New York as the three main centres on which the group's overall expansion is based.

Mr Hitoshi Tonomura succeeds Mr Kurokawa as president and chief operating officer of Nomura International, in London.

Buitoni asks Mediobanca to find it a partner

BY ALAN FRIEDMAN IN MILAN

INDUSTRIE BUITONI Perugina (IBP), the leading Italian foods group which is 51 per cent owned by the Buitoni family, has asked Mediobanca, the Milan merchant bank, to find a partner to take a stake in the Perugia-based company and inject capital.

IBP, which last year had consolidated sales of L963bn ($514m), has been searching for an investor for well over a year now.

Although the group's Perugina chocolates division is making profits, last year saw losses from the Buitoni Italian and U.S. foods divisions, famous for Buitoni pasta products. Of total group sales of L963bn, foreign revenues accounted last year for L538bn. IBP's total indebtedness as at December 31 was L258bn. Although IBP made an operating profit of L27bn in 1983 interest charges resulted in a net loss of L17.4bn.

IBP, which employs 7,000 people and has a quotation on the Milan bourse for its Perugina chocolates division, is rumoured to be in discussions with Gervais Danone of France.

Buitoni is 10 per cent owned by Mr Gaith Pharaon, the Saudi Arabian financier.

● Italian creditor banks of Industrie Zanussi, the domestic appliance manufacturer, have formally signed an agreement with the Pordenone company for the repayment of L580bn of outstanding debt, Reuter reports from Rome.

John Fairfax to make scrip issue

SYDNEY—John Fairfax, the Australian media major, is to make a one-for-six scrip issue next month to compensate shareholders for the refusal of the Sydney Stock Exchange to list a proposed preference share rights issue.

The move follows a one-for-five scrip issue in September and the new shares will rank for the 1984-85 interim dividend.

The Exchange refused to list the 24m preference shares because it viewed them as de facto ordinary shares bearing, however, only limited voting rights.

The preference issue would have increased the company's capital base by $A96m (US$82.3m).

Reuter

Schering forecasts 50% rise in net earnings

BERLIN—Schering, the West German chemical concern, expects record 1984 profits, with net earnings climbing by 50 per cent from 1983's level of DM 80m ($28.4m), according to Mr Klaus Pohle, a member of the managing board.

Schering's earnings have been bolstered by strong earnings in the U.S. and Japan, and the strength of the yen and the dollar against the Detusche mark in foreign exchange markets. Profit growth should also continue into 1985, said Mr Pohle.

The company's profit growth expectations for the year are roughly the same as those of other West German chemical concerns. Last week, BASF announced that it expects world-wide pre-tax earnings to rise by over 50 per cent from the level of 1983.

Schering's worldwide group turnover in the first 10 months of 1984 totalled about DM 4bn, up some 15 per cent from the same year-earlier period. For the whole year of 1983, group turnover totalled about DM 4.2bn.

Schering said turnover in the pharmaceuticals group rose by 11 per cent to DM 1.6bn in the first 10 months of the year. The company's insecticide business reported turnover of DM 1.1bn, up 17 per cent from a year-earlier, while galvanisation technology sales rose by 23 per cent to DM 230m.

Turnover at the company's industrial chemicals division leaped by 22 per cent to DM 752m, while turnover in fine chemicals rose by 9 per cent to DM 242m.

AP-DJ

UK COMPANY NEWS

Lucas is 'well on the way to full recovery'

The Lucas Group is well on the way to full recovery, says Mr Godfrey Messervy, the chairman and chief executive, in his annual review.

Pre-tax profits in the year to July 31, 1984 climbed from £2.1m to £32.6m, thanks to a near £29m turnround on the automotive side. Turnover was up £180m at £1.4bn as reported on November 13.

"Although we still have a long way to go before we achieve levels of profitability which are necessary for a company of our size and turnover, in the course of 1983-84 we took a major step forward. We expect to gain even more momentum over the next two years," the chairman adds.

The main thrust of the Lucas activities has been to strengthen its presence in growth areas and to broaden its portfolio of profitable businesses, both in the UK and overseas. The group has terminated its loss-making association with Ducellier and is completely reshaping its electrical component business in the UK in order to make it internationally competitive.

Over the next few years, the chairman forecasts that Lucas will continue to strengthen its presence in international markets, particularly aerospace.

No dramatic changes in the automotive market place in 1984/85 are foreseen, but in the aerospace industry, the civil aviation section is now emerging from the recession. Demand for new aircraft is the best for several years and Lucas can look forward to a number of years of growth.

Its reputation in the defence field—particularly in guided missiles—continues to grow as does the demand for its products.

Lucas' industrial systems business is expanding in North America by investing in high technology growth markets. The valuable contribution made by the businesses in the U.S. last year should be sustained and prospects in the UK are also more promising.

"Our markets are and will remain highly competitive," forecasts Mr Messervy "and the main thrust of our strategy is to continue to increase our share of those markets through the quality, technical excellence and cost of our products."

"We have made sound progress and we know our recovery will continue . . . We no longer think in terms of 'getting back to normal.' Our markets are changing quickly but so are we and our products. Our targets are ambitious, but we can and will achieve them."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims: Chamberlain Phipps, Dunhill, Erskine House, Sarasota Technology, Sterling Guarantee Trust, Volex.

Finals: J. H. Fenner, Radio City (Sound of Merseyside).

FUTURE DATES

Interims:
Arlington Motor .... Dec 13
Brownlee .... Dec 3
Equity Consort Inv Tst .... Dec 4
Longton Industrial .... Dec 7
Northern Foods .... Dec 12

Finals:
Grainger Trust .... Dec 5

Meadow Farm up to £0.38m at midway

WITH turnover substantially ahead at £6.22m against £3.51m, Meadow Farm Produce, which came to the Unlisted Securities Market in April, has achieved pre-tax profits of £379,000 for the half year to September 28, 1984, compared with £238,000.

The directors of this meat supplier to the catering trade say that having again absorbed exceptional growth in turnover, they look forward to building upon this still further in the coming six months, with the introduction of retail products complementing the existing catering business.

Stated net earnings per 10p share rose from 5.5p to 7.5p, and a 1.9p interim dividend is being paid.

The company's acquisition of David A. Holding (Catering Butchers) in Derby was completed on October 15, and the directors say that it is already producing its anticipated contribution to profits and to distribution and buying efficiency. The interim results do not include any proportion of the results of this company.

All areas of Meadow Farm's business have experienced increased levels of activity this half, with the result that the company's existing factory is now approaching full capacity.

The factory extension, which will double the company's productive capacity, is proceeding well, and should be ready for full occupation in February 1985, the directors add. The company has agreed terms to purchase a further piece of land adjoining the existing Milton Keynes factory to provide for further expansion when required.

Tax took £30,000 (nil). The pre-tax profit figure last time was before a £19,000 non-recurring debit.

Significant improvement at J. Crean

The directors of James Crean, the Dublin-based manufacturer, distributor and bottler of beverages, say there has been a significant improvement both in the trading and financial position of the company since last year.

The interim figures show that pre-tax profits improved from I£906,000 to I£1.31m in the six months to June 30, 1984. At the last year-end, the company had profits of £2.84m compared with £2.02m.

Sales by the company—it also has interests in the distribution of industrial electrical products and confectionery—were up from £34.13m to £37.15m.

Tax for the half was considerably higher at £447,000 against £232,000, and earnings per 25p share were 7.58p (5.89p). The interim dividend is raised from 4.125p to 4.5p net.

The directors say that the trading performance of the group since June 30 has continued to be satisfactory.

Dalgety confident of a good year

AT THE annual meeting of Dalgety, the directors expressed their confidence in another good year. They told members that the group, an international merchant, was flexible enough to take advantage of new opportunities and to overcome any obstacles to growth.

Principal activities of the group are carried out through agriculture supply and services, food processing and distribution, and cereal processing and compounding.

In the last full year pre-tax profits moved up from £52.5m to £67m on turnover ahead from £2.84bn to £3.7bn.

In Australia, where weather remained good, the directors expected another successful year from the all-important rural sector, where the cattle, sheep and wool markets were very active.

In Canada, there had been a quiet start to the year, and Canadian lumber operations were still not performing up to their potential. However, in the past weeks since uncertainty over the U.S. election was removed, interest rates in the U.S. have come down, which augured well for an improvement in lumber prices, they said.

However, Canada had the opposite problem from the UK in that higher exchange rates were still making it difficult to export lumber to Europe.

In the U.S. strong progress was still being made in food distribution, and the price of pigs appeared to be on the upward part of the cycle.

The company's largest investment was in the UK, where the directors were confident of improved results.

Following quota restrictions on milk production, which came about in April, there was a marked decline in the market for animal feeds for dairy herds. The company has been in a particularly strong position to deal with this problem, as it was able to rationalise facilities with those of RHM. Coupled with this there was an almost weekly improvement in the business and the directors were confident of a satisfactory outturn in animal feeds for the year.

Our Price ahead

At the annual meeting of Our Price, the specialist retailer of recorded music, Mr Garry Nesbitt, the chairman, told shareholders that after five months management accounts the group was trading comfortably ahead of last year, but declined to make any forecast with the important Christmas period ahead.

In September the group reported its first figures as a publicly quoted company, showing taxable profits up from £870,000 to £1.21m on turnover of £26.08m (£19.99m) excluding VAT.

Mr Nesbitt added that the company had increased its number of shops by seven since the year end. It was currently trading from 89 branches with openings planned for another six before Christmas. The concession in Selfridges opened last month, and early trading was "encouraging."

Tomkinsons tumbles to £358,000

Profits of Kidderminster-based carpet manufacturer Tomkinsons, tumbled from £905,000 to £358,000 for the 12 months to September 29 1984. The company encountered problems early in the year, as cost increases proved difficult to pass on when market conditions were unfavourable.

However, the situation has been dealt with and the company is making further progress in a market which continues to come under pressure from cheap imports and overcapacity.

While earnings per 25p share are shown as falling from 30.5p to 11.1p, the net dividend is held at 5p.

Turnover for the year was £1m higher at £14.9m. Profits were struck after interest paid of £112,000 (£15,000 received) and before tax of £37,000 (£32,000).

F.T. Share Information

The following securities have been added to the Share Information Service:

Checkpoint Europe (Section: Electricals)
Colt Industries Inc. (Americans)
Denmans Electrical (Electricals)
Hawtal Whiting Hldgs. (Industrials)
Nationwide Building Society 11pc Bonds 14/10/85 (Loans—Building Societies)
Slough Estates 11½pc 1st Mortgage Deb 2019 (Property)
Tops Estates 7½pc Conv. Uns. Loan Stock 2014 (Property)

Bush Radio aiming to remove joint auditor

Bush Radio, Enfield-based maker of consumer electronics, has called an extraordinary general meeting on December 17 in order to remove Lewis Golden and Company as joint auditor.

The directors of Bush consider it is no longer necessary to have joint auditors and in these circumstances have decided to retain Touche Ross and Co as sole auditor.

Touche Ross has indicated its willingness to act as sole auditor, but Lewis Golden has refused to stand down and accordingly it has been necessary to call the EGM.

Shareholders are requested to vote in favour of the proposed resolution, which the directors intend to do in respect of their own beneficial holding representing 65 per cent of the share capital.

When Bush came to the USM in July, the directors forecast profits of not less than £820,000 for the year to August 31 1984, against £540,000 previously. It is expected that the 1983-84 results will be issued shortly after the EGM.

The directors re-iterate the forecast given in the prospectus and they also state that trading so far in the current year is buoyant.

COMPANY NEWS IN BRIEF

Pre-tax profits at Energy Finance and General Trust Holdings, investment holding company, improved by £31,000 to £282,000 in the six months to September 30, 1984. Group income was ahead at £903,000 compared with £745,000, but administration expenses rose from £438,000 to £562,000. Interest payable was little changed at £60,000. Tax was £4,000 lower at £127,000.

Stated earnings per 10p ordinary share (restricted voting) of this USM stock were 1.42p (1.1p). The interim dividend is unchanged at 0.6 net.

* * *

On turnover ahead by £3.48m at £15.51m, Bolton Textile Mill has announced lower pre-tax profits of £93,000 for the year to end-April 1984, compared with £105,000, following second half losses of £65,000.

Continuing operations contributed £321,000 (£105,000) during the year, while there was a debit of £228,000 (nil) from companies which ceased operations during the year.

The group loss was £656,000 against a profit of £127,000, after a £755,000 extraordinary item (£19,000 credit). Tax took £9,000 (£3,000), and net earnings per 5p share were shown as 1.11p (1.18p).

* * *

The Trade Secretary has decided not to refer the proposed acquisition by Ward White Group, of Halfords, to the Monopolies Commission.

FINANCIAL TIMES STOCK INDICES

	Nov. 23	Nov. 22	Nov. 21	Nov. 20	Nov. 19	Nov. 16	1984 High	1984 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	82.94	82.91	82.62	83.04	83.14	83.33	83.77	75.72	127.4	49.18
Fixed Interest	86.02	86.12	86.04	86.28	86.34	86.32	87.48	80.43	150.4	50.53
Industrial Ord	910.3	909.9	918.7	912.8	919.1	920.0	924.3	755.3	924.3	49.4
Gold Mines	576.2	572.3	567.2	561.0	561.6	575.8	711.7	485.7	734.7	43.5
FT Act.All.Share	549.62	550.04	552.89	549.34	552.83	554.83	559.09	464.84	559.09	61.92
FT-SE100	1158.8	1158.2	1166.8	1159.1	1167.4	1164.2	1173.7	986.9	1183 7	986.9

LADBROKE INDEX
Based on FT Index
911-915 (+2)
Tel: 01-427 4411

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
††	F.P.	—	110	108	††AberdeenAmPet.£1	110	.....	—	—	—	—
¶160	F.P.	—	189	164	✱Access Satellite 5p	185	.....	u2.0	2.5	1.6	36.3
§116	F.P.	9/11	177	136	✱Addison Commns. 2p	177	+1	bj1.4	5.6	1.1	36.4
§140	F.P.	21/12	150	144	✱Alida	148	.....	bg6.5	1.9	6.0	11.8
§87	F.P.	23/11	93	88	Appledore(A.&P.)10p	88	−1	bg4.57	2.3	7.4	8.4
§100	F.P.	23/11	110	102	✱Breakmate 10p	102	.....	bg2.5	3.0	3.5	14.4
§105	F.P.	7/12	136	115	✱CVD Inc $0.01	130	−2	F$2.0	—	1.2	—
§115	F.P.	5/12	165	134	✱Creston Lodge 1p	165	.....	bg1.75	2.6	1.5	34.9
¶¶	F.P.	2/11	120	100	Dernin's Int. High Inc.	115	.....	16.0	—	19.9	—
¶¶	F.P.	—	32	15	Do. Warrants	21	.....	—	—	—	—
§75	F.P.	14/12	92	86	✱Gableci 5p	86	.....	b3.8	2.5	4.4	11.2
¶¶	F.P.	—	31	24	✱Health Care S'rvic's	25	.....	—	—	—	20.9
210	F.P.	15/11	358	304	Iceland Frozen F.10p	353	+5	b6.0	2.1	2.4	21.0
§145	F.P.	7/12	190	160	✱Instem 10p	173	−2	bg1.5	5.4	1.2	21.5
§85	F.P.	7/12	115	95	✱Klark-Teknik 5p	110	.....	u0.6	4.7	0.5	58.7
§117	F.P.	23/11	147	118	✱Media T'nology 20p	145	.....	ug2.55	3.9	2.6	14.2
¶¶	F.P.	11/1	32	27	✱Monument Oil 5p	27	.....	—	—	—	—
140	F.P.	21/12	163	149	P.S.M. Int'l.	158	.....	bg 5.25	2.6	4.9	11.2
§70	F.P.	14/12	82	74	✱Plasmec 10p	75	.....	bg3.0	1.4	5.7	9.6
§10	F.P.	16/11	11½	10	Second MarketInv.5p	11½	.....	—	—	—	—
§140	F.P.	10/12	200	184	✱Share Drug 10p	190	.....	ud1.7	3.0	1.3	32.9
§90	F.P.	9/11	116	98	✱T. & S. Stores 5p	116	.....	bg2.62	2.1	3.2	22.9
§110	F.P.	30/11	128	113	✱UDO Hldgs. 10p	125	.....	u5.75	3.0	4.3	10.2
132	F.P.	—	167	156	Wardle Storeys 10p	166	.....	u5.0	2.7	4.3	10.9
††	F.P.	—	£236⅛	£236⅛	Wessanen(Kon.)Fl.20	£237½	.....	Q51.0%	2.6	3.9	9.9

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
91.574	£30	10/4	33⅝	29⅞	African Dev. Bank 11½% Ln. 2010	33⅛	−¼
‖	F.P.	2/12	206p	157p	Elswick-Hopper 8% Cv.Cum. Pf. '92-94	182p	.....
‖	F.P.	12/12	110	106	Estate Prop. Inv. 10¾% Cnv. 94 99	109	.....
§100	£10	24/1	10¼	9⅛	Folkestone Water 11⅛% Red. Deb. 2004	10	.....
¶¶	F.P.	30/11	109	105	Gable Hse. Prop. 10¾% Cnv. Uns. Ln. 95-13	109	.....
99.161	£30	17/1	34½	28⅝	Intl. Bk. for Recon. & Dev. 11⅜% Ln. 2015	34⅛	−⅛
§99.199	£25	15/3	28¾	24½	Lon. Shop Prop. 11½% 1st Mort. Deb. 2015	28⅝	−⅛
§98.164	F.P.	22/11	105¾	95¼	Marley 11⅞% Deb. 2009	105¾	.....
—	F.P.	—	100⅛	100⅛	Nationwide Bldg. Soc. 10¾% Bds. 11/11/85	100⅛	−⅛
‖	F.P.	—	109	101½	Normans Grp. 8¾% Cnv. Uns. Ln. 99/2004	101½	.....
¶¶	F.P.	—	56	53	Peel 10% Cum. Pref. 50p	55	.....
‖	F.P.	12/12	109	100½	Plant & Gen. 9% Cnv. Uns. Ln. 1999	105	.....
¶¶	F.P.	26/4	129	115	Racal Elect 7% Cnv. Uns. Ln. 2009/14	126½	.....
100	£10	24/1	10¼	10	Sun'ld & Sth. Shields 11⅛% Deb. 2005	10	.....
91.976	£20	27/5	23⅞	18½	Sweden 11% Ln. 2012	23⅜	.....

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
80	F.P.	16/1	83	80½	Attwoods	81	.....
38	F.P.	12/11	49	42	Baynes (Charles) 10p	49	.....
100	F.P.	13/12	110	104½	Cambrian & General	105	.....
210	F.P.	—	246	233	Do. Cap 7½p	233	.....
240	F.P.	15/11	325	293	CASE 20p	307	−1
30	Nil	—	4½pm	3pm	Jacks (Wm)	4½pm	.....
205	F.P.	7/12	219	202	Sovereign Oil	202	.....
208	Nil	19/11	127	118	✱Television Services 50p	135	+5
170	Nil	6/11	102pm	78pm	✱Tops Ests.10p	102pm	.....

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▓ Allotment letters or fully-paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*AE	Dec 13	Final 1.4	*IC Gas	Dec 11	Interim 4.0
*Allied-Lyons	Nov 27	Interim 2.42	*Initial	Dec 14	Interim 4.25
*Anglo Amer Corpn SA	Nov 29	Interim 35c	Intasun	Dec 13	Interim 1.8
*Argyll	Dec 4	Interim 1.75	Johnson Firth Brown	Dec 19	Final nil
Assoc Paper Inds	Dec 13	Final 3.0	*LRC	Nov 21	Interim 1.15
*BOC	Dec 6	Final 3.57	Lloyds and Scottish	Dec 21	Final 2.87
*BPB Inds	Nov 28	Interim 2.8	London Merchant Securities	Dec 15	Interim 0.6
Baker Perkins	Dec 12	Interim 2.4	*MEPC	Nov 28	Final 6.0
*Bass	Dec 6	Final 8.43	Martin The Newsagents	Dec 12	Final 3.72
*Bassett	Nov 29	Interim 1.06	McCorquodale	Dec 13	Final 6.25
*Beecham	Nov 27	Interim 4.6	*Meyer International	Dec 11	Interim 1.66
British Electric Traction	Dec 15	Interim 2.25	Norcros	Dec 19	Interim 2.3
British Land	Dec 20	Interim 0.5	*Northern Foods	Dec 12	Interim due
Brown (J.)	Dec 5	Interim due	Pauls	Dec 1	Interim 2.6
*Brown (Matthew)	Dec 3	Final 5.82	Pegler-Hattersley	Dec 7	Interim 6.0
*Cable and Wireless	Nov 28	Interim 2.4	*Pilkington	Dec 12	Interim 5.0
*Capital and Counties	Dec 4	Interim 1.4	Polly Peck	Dec 2	Interim 19.0
*Carless Capel	Nov 28	Interim 1.0	*RHM	Dec 4	Final due
*Charter Cons	Dec 12	Interim 3.75	RHP	Dec 12	Final 0.75
*Coalite	Dec 5	Interim 1.67	*Redland	Nov 29	Interim 3.325
*Courtaulds	Nov 27	Interim 1.2	*Rothmans International	Nov 27	Interim 2.0
Crown House	Dec 12	Final 2.5	*Royal Bank of Scotland	Nov 29	Final 4.4
*Dawson Int	Nov 29	Interim 2.2	*Scapa	Nov 29	Interim 3.15
Distillers	Dec 15	Interim 4.5	Scottish and Newc Brew	Dec 14	Interim 1.73
English China Clays	Dec 15	Final 5.5	*600 Group	Nov 29	Interim 2.34
Ferranti	Dec 5	Interim 2.2	Stakis	Dec 15	Final 1.46
Grand Metropolitan	Dec 22	Final 5.75	Trafalgar House	Dec 6	Final 4.5
GUS	Dec 8	Interim 5.5	*Unigate	Dec 13	Interim due
*Greenall Whitley	Dec 10	Final 2.235	Vaux Brews	Dec 6	Final 6.05
Graycoat City Offices	Dec 7	Interim 0.8	Westland	Dec 14	Final 5.25
*Habitat Mothercare	Nov 29	Interim 2.0	Wests Group	Dec 12	Interim 2.5
*Hall (Matthew)	Dec 4	Interim 1.275	Whessoe	Dec 19	Final 3.0
*Hambros	Dec 4	Interim 15.25	*Wlvrhptn and Dudley Brws	Dec 11	Final 4.58
*Hanson Trust	Dec 6	Final 3.0			
Haslemere Estates	Dec 15	Interim 2.09			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Corporate competence

Europe fails the test of 'excellence'

BY CHRISTOPHER LORENZ

FLANKED by a powerful cohort of top managers from the European offshoots of IBM, Hewlett-Packard and General Electric, Bob Waterman held centre stage, claiming that many large European companies could also be "excellent" if they only tried.

With a bit of adaptation to different national cultures, the urbane Californian insisted, all eight characteristics listed in his best-selling book "In Search of Excellence"* could be instilled into a wide range of European companies.

Not so, countered Philippe de Woot, an elegant Gallic professor from the Belgian university of Louvain, and the author of an ambitious research study, published last week, into the competence of European management.

All eight attributes were indeed crucial, de Woot agreed, but some of them could only be injected into the most professionally run of European companies. Many large enterprises in Europe had barely emerged from a state of managerial "feudalism," he warned: few could yet emulate the sort of systematic "strategic management" that Waterman's book takes almost for granted.

This confrontation, at a packed seminar in Brussels last month organised by Management Centre Europe, brought into the open a debate which has been gathering momentum for some time among European managers and business academics: if "In Search of Excellence" describes many of the characteristics which will be necessary for corporate success during the next 20 years (and it does, in spite of its shortcomings**), then do most large European companies measure up to the challenge?

The answer appears to be negative. There is no denying that, like IBM, GE and Hewlett-Packard, a handful of European companies is already excellent: Daimler-Benz, Electrolux, and perhaps Ericsson and Marks & Spencer would qualify. A couple of handfuls, including Deutsche Bank, Siemens and the German chemical majors, manifestly meet the next level of criteria, which are for entry into the category of "strategic management": the existence of competence and professionalism at all levels, together with the ability to pursue an integrated strategy for the corporation as a whole.

This second group is therefore ripe for the injection of that extra bit of heart and energy which they need to become really "excellent."

But, as de Woot's researches make clear, the mass of large European companies is systematically managed only in a small proportion of their divisions or "business units," or not at all. His worry is that such organisations do not possess the resources, information systems, expertise and outlook to develop and implement the sort of complex strategies which are necessary for survival in a fast-changing and intensely competitive international marketplace.

THE EIGHT ATTRIBUTES OF "EXCELLENCE"

1. A bias for action.
2. Close to the customer.
3. Autonomy and entrepreneurship.
4. Productivity through people.
5. Hands-on, value-led.
6. Stick to the knitting.
7. Simple form, lean staff.
8. Simultaneous loose-tight controls.

Yet only when they have the wherewithal and experience to do just that, he argues, can they safely start to apply several of the prescriptions for "excellence" made by Waterman and his co-author, Tom Peters.

"Simple form, lean staff" is inapplicable in hitherto loose-knit groups (of which there are many in Europe), since, in de Woot's phrase, "they have no form and no staff." Nor, if a company's strategic planning has been poor, should it necessarily "stick to the knitting," he points out, since "its knitting may be outmoded, unsuitable, or both."

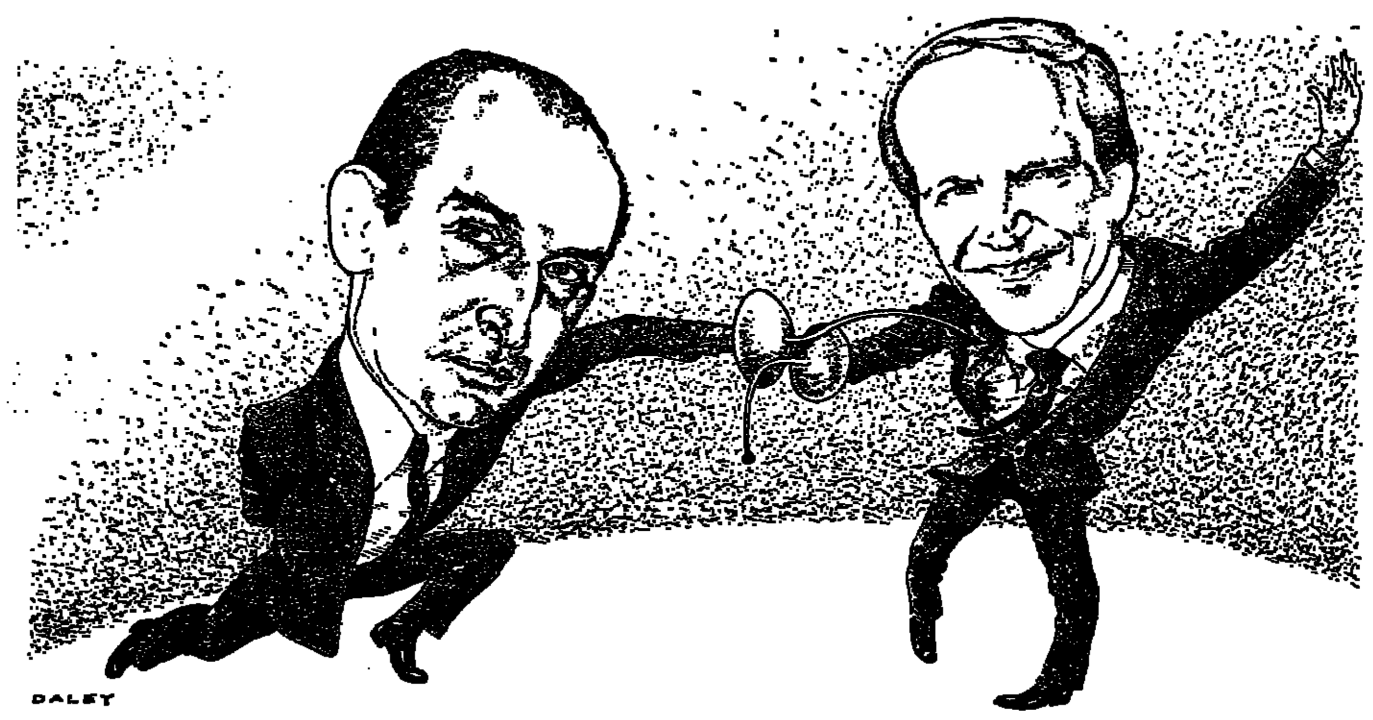
Professor de Woot agrees wholeheartedly with Waterman and Peters that "autonomy and entrepreneurship," together with "simultaneous loose-tight controls," are becoming crucial for survival in today's unpredictable world. They have always been practised by American companies such as 3M, Hewlett-Packard and Johnson & Johnson, and in Europe the likes of ICI and BP are belatedly discovering their attractions.

Hence the two companies' attempts to loosen up their structures and encourage greater adventurousness; but, like almost all European enterprises, they are up against the risk-averseness of their own corporate cultures and the safety-first mentality of their managers.

De Woot's point is that to espouse such attributes may be meaningless or downright dangerous for a company which lacks professionalism and "tightness," not only at the centre but within all of its units. As he says, "a large company can't be entrepreneurial if it hasn't developed a highly professional base." He warns that tightness based only on financial controls is totally inadequate, since it gives headquarters no ability to provide strategic direction, and to communicate fruitfully with its offshoots.

De Woot's argument reinforces worries which were first expressed in this newspaper a year ago, when "Excellence" was just beginning to hit Europe's bookshops in a big way.† It was argued then that a sizeable majority of European companies was in a similar state to Rhone-Poulenc, the French chemicals group, whose own top management had just admitted that its various divisions and profit centres were in desperate need of greater professionalisation.

There therefore seemed to be a danger for Europe in the book's assumption that most companies were so proficient in what have been dubbed the "hard Ss" of management (strategy, structure and systems) that they were, in effect, overmanaged. Writing for an American readership, it was fair enough for Waterman and Peters to be confident of this and, therefore, to devote their whole book to reviving interest in the "soft Ss" (style, skills, staff and shared values). When applied to the majority of European companies, however, this assumption was inaccurate.



Philippe de Woot (left) and Bob Waterman: pundits at odds over Europe's ability to leapfrog several stages of management

The breadth of this transatlantic "competence gap" is graphically illustrated by de Woot's new study.†† With a title that translates as "The strategic management of industrial groups," it reports on a research team's six-year study of management at all levels within 343 subsidiaries, affiliates and head offices of nine French and Belgian groups, including Empain-Schneider, Lafarge-Coppée, Pechiney-Ugine-Kuhlmann, Saint Gobain-Pont-à-Mousson, and Societe Generale de Belgique.

A typically Gallic document full of quotations from Heraclitus, Seneca, de Tocqueville and even Gide, the book is nevertheless an intensely empirical work. In the finest detail, it outlines the results of a series of tests which were carried out to verify whether, among those few companies in the sample that practised "strategic management," corporate performance was indeed improved by its various elements (such as clarity over corporate goals, systematic management development at all levels, and a range of complex decision-taking processes).

The results of the tests were overwhelmingly positive. But the significance of the whole study is that it was needed at all. In the U.S. the above-average performance of strategically-managed companies such as IBM and GE has itself proved a sufficient stimulus to other companies to try and emulate them. In Europe, it seems, double proof is necessary.

Backwardness

Such is the state of apparent backwardness in Europe that de Woot found:

● that a number of top managers did not believe in defining clear objectives, and making them explicit throughout the company. "I am not the Pope," he quotes one as saying. Such companies, he reports, suffer from "Shakespearean" intrigue and instability;

● that top management frequently fails to set a strong lead:

● and that employees "are often slaves to external social values, rather than to the organisation's culture" (shared values constitute one of the prime attributes of corporate "excellence").

"If we don't create a managerial revolution," de Woot warns in his book, "we will wake up one bright morning and discover that ... we have become underdeveloped or colonised. By then it will be too late."

Though the study was confined to groups which have traditionally been run as financial holding companies—and have therefore tended until recently to have little head office interest in implementing group-wide strategies—de Woot is emphatic that its results are significant for a broad swathe of European industry.

Before a European company can aspire to true "excellence," de Woot reaffirms, it must move through several stages of management: from traditional (or "feudal"), to decentralised strategic planning and responsibility, and then on to "corporate strategic management."

Given Europe's late start, the crucial question is whether it is possible to leapfrog several of these stages, so as to get to grips with the modern world in double-quick time. Precisely this challenge now faces financial institutions on both sides of the Atlantic, as they try desperately to develop strategic skills and entrepreneurship in order to handle the globalisation and redefinition of their businesses which is occurring all around them.

Philippe de Woot is sceptical whether such leapfrogging can be achieved. Bob Waterman also sees the dangers, but says "you musn't think in too linear a fashion—if you do, you let yourself off the hook." Instead, he suggests, companies can move on several fronts at once, such as building middle management competence in one part of the organisation at the same time as top management encourages entrepreneurship in those parts which can already cope with it.

Though he accepts the need for more managerial competence in many European companies, Waterman says he hopes they "can avoid going through all the agonies and excesses that America has suffered from its obsession with scientific management."

Above all, he claims, is the need for leadership: "chief executives of large organisations can create massive change by the way they act." To judge by Philippe de Woot's findings (and by such incidental evidence as the poor turnout for a major conference on leadership in London this week) the lack of willingness to exert strong leadership is one of the greatest weaknesses among European companies. They need more Popes with real power and fewer impotent Shakespearean barons.

* *Harper and Row, £6.50.*
** *See Lombard column, FT November 1 1984.*
† *Lombard column, December 15 1983*
†† *"Le Management Strategique des Groupes Industriels." Economica (Paris) FFr 125 (published only in French).*

Management abstracts

Industrial relations: time of change. G. Strauss in Industrial Relations (U.S.), Winter 84.

Reviews contemporary developments in industrial relations and speculates about what may lie ahead; suggests that collective bargaining is likely to become more decentralised, that differences between personnel policies in unionised and non-unionised companies may disappear, and that the adversarial relationship between employers and unions will continue to weaken.

Part-time working. International Management Europe (UK), May 84

Reviews the significant growth of part-time working in various countries, principally brought about by women's desire to work; examines government attitudes, and sees evidence of greater statutory protection for part-time workers. Outlines the advantages of the trend for management, suggests it will probably increase, and sees it as a means of restructuring depressed industries and redistributing employment.

Today's options for tomorrow's growth. W. C. Kester in Harvard Business Review (U.S.), Mar/Apr 84

Suggests that, in capital investment decisions, too many companies find themselves in a stalemate, caught between those concerned with what projects can accomplish and those concerned with costs; argues that growth options, which capital projects represent, ought to be regarded in the same way as call options on securities. Discusses how capital budgeting can be integrated into planning for equity growth.

Run your business—or build an organisation? G. H. Matthews in Harvard Business Review (U.S.), Mar/Apr 84

Explores the entrepreneurial dilemma—whether to concentrate on running the business, or to build an organisation capable of growth and expansion; argues that effective delegation is the key ingredient in building an organisation capable of standing on its own feet, and explains how it should be done.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley, HA9 8DJ.

THE WEEK IN THE UK COURTS

Radical implications of the GCHQ decision

IT IS CLEAR from the reasons given by the House of Lords in the GCHQ case (FT Law Report, November 23) that the regulation of the Civil Service is subject to control by the courts; that, where no question of national security is involved, ministers have a duty to consult recognised unions before important changes are made in conditions of service.

These are radical implications for labour law in the Civil Service.

Lord Roskill put the point: "I have little doubt that were management to seek to alter without prior consultation the terms and conditions of civil servants in a field which had no connection whatever with national security or perhaps, though the matter does not arise in this appeal, with urgent fiscal emergency, such action would in principle be amenable to judicial review."

This may prove to be a legal obstacle to attempts by Mrs Thatcher, or any future Minister for the Civil Service, to force through the slimming down and re-organisation of the Civil Service. It puts a large question mark over the Government's conduct of the 1981 pay dispute, when it disregarded procedures which it had agreed with the Civil Service unions.

The right of the executive government in power to dismiss civil servants without notice was not in dispute. Ordinarily, this is taken to mean that the Government can unilaterally change conditions of service by the simple expedient of dismissing at will and offering re-engagement on new terms. Since 1972, most civil servants (excluding the armed forces and, as a result of national security certificates issued by a minister, the security services and GCHQ staff, have been able to complain of unfair dismissal. But industrial tribunals have rarely intereferred.

The main argument for the Crown in the GCHQ case, when it came before Mr Justice Glidewell, was that the Government's power to change terms of employment is not amenable to judicial review because the source of this power is not a statute but the royal prerogative.

When Mrs Thatcher issued her "instruction" that GCHQ staff were no longer to be allowed to belong to national trade unions, she did so under an Order in Council of 1982, which, like previous Orders relating to Civil Service pay and conditions, was issued by the Sovereign by virtue of her prerogative, but of course on the advice of the Government.

The Crown produced an impressive array of authority, from the time of Sir Edward Coke, for saying that the courts' power to review the exercise of the prerogative was limited to inquiring whether a particular power existed and, if it did, into its extent; the way in which the power was exercised was not open to judicial scrutiny. The GCHQ decision is a major constitutional landmark because that limitation on judicial review Lords Diplock, Scarman and Roskill. Lord Fraser and Brightman preferred to base their decision on the narrower ground that the manner of exercise of a prerogative power is reviewable where the power has been delegated to the decision-maker by an Order in Council.

In what is bound to be regarded as a classic statement of modern administrative law, Lord Diplock synthesised the cases in which administrative action is subject to review.

These include the situation where a person has a legitimate expectation that he will be permitted to continue to enjoy a benefit or advantage "until there has been communicated to him some rational ground for withdrawing it on which he has been given an opportunity to comment."

As applied to the Civil Service this meant, Lord Diplock said, that it no longer makes any difference whether they lack contractual rights or are subject to dismissal at will. The crucial point in each case is whether they have "legitimate expectations." The GCHQ staff, for example, had a "legitimate expectation" that they would continue to enjoy the benefits of union membership and negotiations with their unions as to changes in terms of employment. The elaborate structure of codes, departmental regulations and Whitley Council agreements is likely to mean that most civil servants will be able to claim "legitimate expectations" of the kind envisaged by the Law Lords.

How extensive will judicial review be? Lord Diplock led the way with a classification of possible grounds of review, which he labelled "illegality," "irrationality," and "procedural impropriety," while leaving the door open to other heads of review, such as the principle of "proportionality," which is already recognised in the administrative law of several other EEC member states.

It will now be a matter for case by case development to test the limits of this new charter of administrative law in the Civil Service context. Until recently it was thought unnecessary to define the legal rights and duties of civil servants. The consultative machinery of the Whitley Councils gave them *de facto* protection often superior to that enjoyed by private sector employees. The deterioration in relations between Civil Service management and staffs has been accompanied by a greater willingness by the unions to challenge executive action in the courts. They can now point to an administrative law of the Civil Service which bypasses all the old arguments about the legal position of the civil servant.

An important limitation, however, may be the executive's ability to claim the plea of "national security" to defeat the "legitimate expectations" of civil servants, as they successfully did in the GCHQ case. With differing degrees of emphasis, the Law Lords all said that "ample" or "sufficient" evidence of a threat to national security must be provided before the courts will allow this consideration to override private rights or legitimate expectations.

But there was no Lord Atkin (who in his famous dissenting speech in *Liversidge v Anderson* derided judges who were "more executive-minded than the executive") willing to challenge the Crown's argument, raised for the first time in the Court of Appeal, that Mrs Thatcher had reason to fear that union-organised disruption of the monitoring services at GCHQ would result, if she consulted the unions before issuing her instruction.

When, and if, the unions' case reaches the European Commission of Human Rights in Strasbourg, a crucial question is likely to be whether the ban on union membership was permissible, under Article 11 (2) of the European Convention on Human Rights, as a "restriction" on the exercise of the right to form and join trade unions, "necessary in a democratic society in the interests of national security." Applying a test of "proportionality," of a kind which Lord Diplock hinted may soon enter British administrative law, it is a distinct possibility that the European court may conclude, as did the I.L.O. Committee on Freedom of Association, that the Government's objectives could have been met by a no-strike agreement or means other than an outright ban on membership.

Justinian

APPOINTMENTS

Managing director for Truman

Mr Philip Goodwin has been appointed managing director of TRUMAN. He has been managing director of Manns Northampton Brewery since 1980. He succeeds Mr Michael Aiken who has become director-passenger services on the board of Sealink.

★

APPLIED HOLOGRAPHICS has appointed Mr Neil Smart as full-time financial director. Mr S. M. Garbutta remains on the board as a non-executive director.

★

WORLEY ENGINEERING, a member of AMEC, has promoted ing director. He joined Worley in 1980 as operations director.

★

Mr Peter Cash, company secretary of THOMAS BORTHWICK AND SONS, has been elected to the board. He joined Borthwicks in December 1981 and was appointed company secretary in June 1982.

★

DCE GROUP, Leicester, has appointed Mr Albert Smith to the new post of materials director responsible for purchasing and production control and materials provisioning, including total company computerisation. He joins from Cambridge Electronic Industries Group.

★

Mr Peter Rothwell, currently managing director of the company's activities throughout Southern England, has been made an executive director of TARMAC ROADSTONE HOLDINGS Mr Peter Pearse, a senior consultant to the company, has been made a non-executive director. Mr Rothwell remains managing director of Tarmac Roadstone Southern.

★

Mr Roger Miall has been appointed marketing director of BEN LINE CONTAINERS, a Ben Line subsidiary which operates container services between Europe and the Far East. He was Ben Line manager in Japan.

★

Mr Christopher Gilbert, a senior consultant with COCKMAN, COPEMAN AND PARTNERS, and Ms Jenny Kynaston, company secretary, have become directors of CC&P Trustees, a subsidiary which specialises in employee share scheme administration. Mr Keith McNeish becomes a director of CC &P International, an executive search and selection consultancy.

★

Mr Paul Barnes has been appointed pensions controller of the MERCHANT NAVY OFFICERS PENSION FUND and also the Merchant Navy Ratings Pension Fund. He will take up this new post within Merchant Navy Pensions Administration on November 26. Mr Barnes was previously vice-president of Hall Godwins (Overseas) Consulting Company.

★

From December 1, Mr Alan Fishman has become sole senior partner of CLAY & PARTNERS, consulting actuaries. Mr Keith Whitehead becomes a consultant to the firm.

★

Mr Philip Hawes has been appointed managing director of UNIDEN UK a recently-formed British subsidiary of the Japanese Uniden Corp.

★

Mr John Halsall has been appointed divisional chief executive of three SIEBE group companies, TJ Filters and Tecamec Plymouth, and British Filters, Marlow. Mr Halsall also assumes responsibility as managing director of TJ Filters. He joins the group from Payen International, for whom he was European operations director.

★

AMAX EUROPE has made the following appointments: Mr Nico Mouthaan as vice president planning and control. Mr Geoffrey Moore becomes controller of Climax Molybdenum Company, and director of taxes for all of the AMAX entities located in the UK. Mr Gianpaolo Chierici has been made director of market research and analysis.

★

Mr Roger Mann, group solicitor, has been appointed secretary to THE PENINSULAR & ORIENTAL STEAM NAVIGATION COMPANY, from January 1 following the retirement of Mr Lewis Collins. Mr Peter Thomas, director of information, has assumed responsibility for group personnel policy, amalgamating these two functions.

★

Mr Nick Marmont has been appointed managing director of CARTERS SOFT DRINKS, Nottingham. He takes over from Mr Donald English, who continues as managing director of Carters Drinks Group, controlling vending and packaging operations, as well as soft drinks production.

★

Mr Hugh Fox has been appointed managing director of TUNNEL REFINERIES, Greenwich. He was managing director of Tunnel Avebe Starches.

★

Mr P. R. Hamilton, Mr A. P. W. Phillips, Mr C. E. Wallis, Mr P. F. Ellick and Mr A. N. Whitney have joined the partnership ROWE & PITMAN, stockbrokers.

★

From January 1 Mr Anthony Quayle, currently managing director of Alvis and a director of United Scientific Holdings, becomes UNITED SCIENTIFIC HOLDINGS group development director. Mr Brian White, currently financial director, becomes managing director of Alvis.

★

STEWART WRIGHTSON UK GROUP has appointed Mr M. W. Davies as assistant regional managing director. Mr D. A. Petts, Mr D. C. Bonham, Mr J. S. Isbell, Mr M. J. Lambert, Mr G. M. Pugh, Mr M. A. J. Singfield, Mr Q. E. E. Harker and Mr C. W. Lucas became regional directors.

★

Mr Ian Charles Fairweather has been appointed a director of BROWN SHIPLEY FACTORS.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
International Construction Equipment Congress and Exhibition (until November 30) (01-637 2400) **NEC, Birmingham**

November 28-December 2
World Travel Market (01-643 8040) **Olympia**

November 28-30
Electronic Displays Exhibition and Conference (0230 515226) **Kensington Exhibition Centre**

December 2-6
Royal Smithfield Show and Agricultural Machinery Exhibition (01-235 0315)—trade only on Dec. 2 **Earls Court**

December 4-15
Energy Efficiency in Building Exhibition (601-236 9802) **Building Centre, Manchester**

December 6-7
UK Tax Congress and Exhibition —TAXFAIR (0403-56113) **Wembley Conference Centre**

January 2-13
London International Boat Show (0932-54511) **Earls Court**

January 8-10
CADCAM International Show (01-637 3699) **NEC, Birmingham**

January 12-17
Harrogate International Toy Fair (01-226 6853) **Harrogate**

January 15-18
Which computer? Show (01-891 5051) **NEC, Birmingham**

January 17-20
Ideal Home Exhibition (0202 886833) **Metropolitan Exhibition Hall, Brighton**

January 20-24
International Lightshow Exhibition (05884 656) **Olympia**

January 26-30
Stationery Industry Exhibition—STATINDEX (01-385 1200) **Olympia**

January 26-30
British Toy and Hobby Fair (01-701 7127) **Earls Court**

OVERSEAS TRADE FAIRS

November 27-December 1
International Hardware Exhibition — HARDWARE (0494 775444) **Kuala Lumpur**

November 27-December 4
NEFTA-GAZ Petroleum and Gas Exhibition for the USSR (021-705 6707) **Moscow**

November 27-December 1
TEXTILE INDONESIA The second International Textile Machinery, Garment Making and Finishing Exhibition (01-486 1951) **Jakarta**

December 1-9
Handicrafts in the Domestic Sphere Exhibition — HEIM & HANDWERK (01-486 1951) **Munich**

December 9-13
SaudiCity 84—Second Water Technology Show, Municipal Services and Public Works Show (01-486 1951) **Riyadh**

December 14-30
New Year's Fair (01-486 1951) **Zagreb**

January 7-10
International Hotel and Catering Industries Trade Fair—HORECAVA (01-437 2175) **Amsterdam**

January 10-14
International Furniture Exhibition (01-439 3964) **Paris**

January 13-16
Fashion Show (01-486 8686) **Rio de Janeiro**

BUSINESS CONFERENCES

November 26-27
Kluwer Conferences: Tax planning and the Courts (01- 568 6441) **Logan Hall, WC1**

November 27-28
Underwater Technology Conference — SUBSEA SOLUTION (0608 84252/495) **Rotterdam**

November 27-29
DIBC (UK): Foreign exchange dealing and money market dealing (01-788 1146) **City Conference Centre, EC3**

November 27-29
British Nuclear Energy Society: Radioactive waste management (01-930 5454) **Bloomsbury Crest Hotel, WC1**

November 30
The Industrial Society: Quality Circles Review (01-839 4300) **Tara Hotel, W8**

December 3-4
FT/BVCA Conference: Venture Capital Financial Forum (01-621 1355) **Inter Continental Hotel, W1**

December 4
The Institute for Fiscal Studies: Pension funds (01-828 7545) **Park Court Hotel, W2**

December 5-6
FT Conference: The Tenth World Banking Conference (01-621 1355) **Inter Continental Hotel, W1**

December 5
Monandock International: Telecommunications concepts (informatics) (01-253 5909) **London Press Centre**

December 5
Public Sector Management: Improving vehicle fleet management in Local Government (049162 705) **Barbican Centre**

December 7
Learned Information (Europe): Using business databases: the information manager's role in strategic planning (0865 730275) **Novotel, London**

December 7
The Economist/The Royal Institute of International Affairs: Technology transfer and East-West relations (01-839 7000) **Chatham House SW1**

December 10-15
Management Training Consultants: Techniques of supervisory and management training for trainers (0533 27062) **Leicester**

December 10-11
International Chamber of Commerce: Latest trends in international transport; implications for the transport industry and its customers (Paris 562 34 56) **Paris**

December 11-12
FT Conference: World Telecommunications (01-621 1355) **Inter Continental Hotel, W1**

December 11-12
The FT European Gas Conference (01-621 1355) **Vienna**

December 12
London Chamber of Commerce and Industry: The current role of Syria in the Middle East (01-248 4444) **69 Cannon Street, EC4**

December 14
Oyez IBC: Investing in telecommunications (01-236 4080) **Marriott Hotel, London**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

CONSTRUCTION CONTRACTS

Nursing homes the next step

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

McCARTHY AND STONE, the Hampshire builder which pioneered the market for private sheltered accommodation for the elderly, is to invest £15m-£20m by the end of next year building a chain of private nursing homes for residents who are too ill to remain in their own flats.

The £14m-a-year-turnover company is also on the lookout for other building companies to take over to help keep up its rate of growth, said chairman Mr John McCarthy. It is on target to start 3,000 private sheltered homes—small leasehold flats or bungalows with a warden on call and communal facilities—this year after starting 1,300 last year and 600 the year before.

But at present, residents usually have to leave their flats if they require more nursing care than the basic help the warden can provide and, while looking for other business opportunities in the "elderly industry," Mr McCarthy turned his attention to what happened to them.

The company arranges for them to move to residential nursing homes, "and it seemed ridiculous not to offer a total package to them and take the benefit to our operation," he explained, rather than just keep providing paying customers for other businesses.

The company plans to start seven sheltered developments with their own nursing homes by the end of next year. The first will be on the seafront at Bexhill, in Sussex—extending a convalescent home which was owned by the print union Sogat—and the second at Upton Manor in the Wirral.

The Bexhill development will consist of 68 sheltered flats and 10 sheltered bungalows, 66 "intermediate care" flats with food and cleaning services provided, and 64 "nursing home bed spaces" of which 10 will offer full nursing care.

Residents will either buy their flat or bungalow leasehold and then pay for extra services or accommodation in the nursing home as needed, or pay a premium on moving to the scheme to get "guaranteed care for life."

The company will change its earnings profile with income, not just from developing flats but also from the care premiums and from the nursing homes' charges of £125 to £250 a week according to the level of care provided.

"If the first seven schemes are a success we plan to build between 10 per cent and 15 per cent of our output as care units in the future," Mr McCarthy said, "diversifying from being just a builder."

On the company's acquisition ambitions he said: "We're looking for building companies to take over, because though the market could support our doubling each year—demand for sheltered homes is estimated at 25,000 a year by Surrey University—logistically we can't without acquisition."

Mr Mike Gardner, deputy director of Hampshire Social Services, will join McCarthy and Stone in January to run the company's nursing home operations.

Haden Young wins £4.5m

HADEN YOUNG has eight orders, together worth £4.53m. Under a £970,000 contract awarded by Kyle Stewart Management Contracting, Haden Young will install "clean room" air conditioning for a new liquids facility at I.C.I., Macclesfield. A £770,000 order from Fairclough Management Contracting is for office air conditioning, mechanical and sanitary services for OHMEDA, Leeds. In Edinburgh Haden Robertson is to undertake work worth £700,000 for Phase 5 of the Wardie housing modernisation programme for Edinburgh District Council, and at Bradford Royal Infirmary, under a £750,000 contract, Haden Young will install air conditioning and mechanical services for a new nucleus building for the Bradford area of the Yorkshire Regional Health Authority. Other contracts are for the Granada Service Area at Ferrybridge on the M62 east (£300,000), the latest phase of development at the Unipork factory in Belfast (£300,000), new boiler plant at the Duke of York's Royal Military School, Dover (£400,000) and a £350,000 air-conditioning contract for Edger Investments at 130-132, Sloane Street, London.

£10m orders for Kyle Stewart

A contracts package worth more than £10m has been won by **KYLE STEWART** for design-and-construct projects. Largest is a 66,000 sq. ft superstore development for Tesco at Roborough, Plymouth, where work on a £4m contract is to start in the New Year, with completion due by late 1985. Also due for completion next year is a £4m office and production complex at Colnbrook, Berkshire, for Graviner, a member of the Allegheny International Group. An extension to assembly and design facilities, providing a further 28,000 sq. ft. of space, is to be provided for compressor manufacturer Atlas Copco at Hemel Hempstead under a £1.25m contract. A £1.1m office building and distribution warehouse at Brooklands Industrial Park, Weybridge, is to be completed next year as part of a further phase of building work for Oyster Lane Properties.

★

BRIGGS AMASCO has won a £1.3m contract to install roofing and cladding on the Daily Telegraph's new printing and publishing works at Millwall Docks on the Isle of Dogs in London's Dockland. The contract involves some 22,000 sq. metres of combined roofing and cladding. Work starts this month, with completion in August, 1985.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY
COMPANY MEETINGS—
Armour Trust, 24, Upper Brook Street, W. 10.30
High-Point Services Group, Great Eastern Hotel, Liverpool Street, EC. 12.00
Phoenix Properties & Finance, Great Eastern Hotel, Liverpool Street, EC. 9.00
BOARD MEETINGS—
Finals:
Fenner (J. H.)
Radio City (Sound of Merseyside)
Interims:
Chamberlain Phipps
Dunhill
Erskine House
Property Partnerships
Sarasota Technology
[illegible]ing Guarantee Tst
Volex
DIVIDEND & INTEREST PAYMENTS—
Amdahl Corp 5cts
Beatson Clark 3.3p
Casket (S.) 1.4p
Delyn Packaging 1p
Druck Hldgs 1.7p
Fleming Japanese Inv Tst 2.5p
Hunting Petroleum Services 2.25p
Mills & Allen Intnl 10p
Northern Engineering Inds 1.65p
Osterreichische Landerbank AG Fltg Rate Nts 1994 $321.18
Prince of Wales Hotels 0.5p
Samuelson Grp 13.3p
Southend-on-Sea Borough Council 12pc RedStk 1987 6pc
Stag Furniture 1.75p
Standard Bank Import & Export Fin Co Gtd Fltg Rate Nts 1992 £143.66
United Guarantee 0.5p
Watts Blake Bearne 1.65p
TOMORROW
COMPANY MEETINGS—
Aspro-Nicholas, 225, Bath Road, Slough, Berkshire. 12.00
Peachey Property, 19, Sloane Street, SW. 12.00
Precious Metals Tst, 66, St James's Street, SW. 3.00
Sharpe (Charles), Boston Road, Sleaford. 12.00
Tay Homes, Queens Hotel, City Square, Leeds. 11.30
BOARD MEETINGS—
Finals:
Carr (John)
ICL
Scottish Merc Inv Tst
Interims:
Allied-Lyons
Beecham
CML Microsystems
Century Oils
[illegible]annel Tunnel Invs
Courtaulds
Investment Co
Parkland Textile
Rothmans Intnl
TR Prop Inv Tst
DIVIDEND & INTEREST PAYMENTS—
Cass Grp 1.36p
Christies Intnl 3p
Electricity Supply Board 13pc Premium Stk 1986 6.5p
FAI Insurances 10cts
Minerals Oils & Resources 19cts
Precious Metals Tst 0.55p
Sharpe (Charles) & Co 6.75p
WEDNESDAY NOVEMBER 28
COMPANY MEETINGS—
FII Group, Barbican Centre, EC. 12.00
BOARD MEETINGS—
Finals:
Cronite
MEPC
[illegible]
Interims:
[illegible]
Brickhouse Dudley
Cable and Wireless
[illegible]
M and G Second Dual Tst
[illegible]
Monks Inv Tst
[illegible]
DIVIDEND & INTEREST PAYMENTS—
Bank of Communications Fltg Rate Nts 1993 $644.95
Brent Chemicals Intnl 0.75p
Broken Hill Proprietary A$0.25. Do New A$0.125
Burndene Invs 8½pcLn (1980-85) 4¼pc
Hammerson Prop Inv & Dev Corp 2p. Do A Lon Vtg 2p
[illegible]
Lee Cooper [illegible]
Malakof Berhad M$0.10
Peachey Property Corp 4.5p
Utd Friendly Insurance B (5p-Vtg) 4.6p
THURSDAY NOVEMBER 29
COMPANY MEETINGS—
Amstrad Consumer Electronics, Brentwood Moat House, London Road, Brentwood, Essex, 3.00
[illegible] Industries, Tapton Hall, Shore Lane, Ranmoor, Sheffield, 12.00
Rivoli Cinemas, 15-17, Ridgemount Street, WC. 4.00
BOARD MEETINGS—
Finals:
Borthwick (Thomas)
[illegible]
Royal Bk Scotland
Utd Wire
Interims:
Anglo American Coal South Africa

Basset Foods
Celestion Inds
Dawson Intnl
Delmar
[illegible]t Mothercare
Hargreaves
Humphries Hldgs
Redland
Scapa
600 Grp
Triefus
DIVIDEND & INTEREST PAYMENTS—
Bank of Montreal 49cts
Beauford Grp 1.5p
Caixa Geral De Depositios Fltg Rate Deposit Nts 1994 $648.87
Cartwright (R.) 1.5p
Emess Lighting 2p
Jerome (S.) & Sons 0.694p
Keep Tst 0.375p
Nationwide Building Society 11pcBds 3.6.85 5.5pc
News Intnl Spec Div Shs (with Res Vtg) 4.8943p
Rivoli Cinemas 65p
TSW 1p
FRIDAY NOVEMBER 30
COMPANY MEETINGS—
AB Electronic, St David's Hall, Cardiff. 11.30
Authority Invs, Belgravia Sheraton Hotel, 20, Chesham Place, SW. 4.00
Beazer (C.H.), Assembly Rooms, Bath. 12.00
Charterhall, Institute of Chartered Accountants, Chartered Accountants' Hall, Moorgate Place, EC. 10.30
Fisher (Albert), Wrens Old House Hotel, Thames Street, Windsor, Berkshire. 12.00
Goodman Bros, Westbury Hotel, Conduit Street, W. 12.00
Northern Ind Imp Tst, Blue House, Washington, Tyne and Wear. 10.30
Pochin's, Brooks Lane, Middlewich, Cheshire. 12.00
Ramus Hldgs, Palace Road, N. 12.00
BOARD MEETINGS—
Finals:
Tyne Tees TV
Interims:
Castings
Freshbake Foods
Henriques (Arthur)
Hi[illegible]ate and Job
DIVIDEND & INTEREST PAYMENTS—
Alexander & Alexander 25cts
Allied-Lyons 5½pcPf 1.925p. 7½pcPf 2.625p
Altifund Inc 2.5p. Cap Shs 0.125p
Amstrad Consumer Electronics 0.412p
Anchor Chemical Grp 1.25p. 6pcPf 1.05p
Anglo Nordic Hldgs 10pcLn 1989 5pc
Armitage Bros 7½pc1stMtgDb 1985-90 3¾pc
Astbury & Madeley (Hldgs) 1.5p
Automated Security (Hldgs) 8pcLn 1990-1995 4pc
BPM Hldgs A 4.375p. Non-Vtg B 4.375p
BSR Intnl 0.55p
Baker Perkins Hldgs 5¼pcDb 1979-84 2⅝pc. 6½pcDb 1981-86 3¼pc
[illegible]

Edmond Hldgs 0.33p
English China Clays 7¼pcLn 1993-98 3⅝pc. 7pcLn 1988-2003 3½pc
English Electric 6pcDb 1980-85 3pc
Farmer (S.W.) 3.1p
Farnell Electronics 0.8p
Fleming Universal Inv Tst 2p
Fundinvest Inc 3.05p
Gable House Properties 1.3p
General Electric Fltg Rate Cap Nts 1986 £5.703[illegible]
Gestetner Hldgs 10pcLn 1990-95 5pc
Greene King & Sons 10pcLn 1988-93 3½pc
Harris Queensway 1.25p
Higgs & Hill 4.5p
Horne Bros 7pcPf 2.45p. 7¼pcLn 1995-2000 3⅝pc
Hunting Assoc Inds 3p
Hydro-Quebec 15pcLn 2011 7½pc
Imperial Chemical Inds 7¼pcLn 1986-91 3⅝pc
India (State Bank of) Fltg Rate Nts 1987 $64.81
Intnl Income Property Inc [illegible]
Investors in Industry 6¾pcDb 1981-84 3⅜pc
Invicta Gilt Income Fund Ptg RedPf 30p
JWT Grp Inc 42cts
Jersey General Inv Tst 5½pcPf 2.75p
Johnson Matthey 5½pcDb 1986-90 2¾pc
Jove Inv Tst 2.11p
Juliana's Hldgs 1.1p
Kent (M.P.) 1p
Kleinwort, Benson Gilt Fd PtgRedPf 31.75p
Kode Intnl 3.5p
Lake View Inv Tst 1.6p. 5pcPf 1.75p
Law Debenture 4pc2ndDb 1978-88 2pc. 4pc2ndDb 1983-88 2pc. 5pc2ndDb 1983-1988 2½pc
Investments NV Gtd Fltg Rate Nts Nov 1989 $65.49
Lewis (John) Properties 5½pcMtgDb 1984-1989 2¾pc. 6¾pcMtgDb 1984-89 3⅜pc
Liberty Life Assoc of Africa Pf Sers 105cts
Lilley (F.J.C.) 1.2p
London & European Grp 10½pcLn 1983 5¼pc
MCD Grp 1p
McCorquodale 6¾pcLn 1990-95 3⅜pc. 8½pcLn 1994-99 4¼pc
Manufacturers Hanover O'seas Cap Grp Gtd Fltg Rate Nts 1994 $30.65
Markheath Securities 4.55p
Marshall's (Universal) 7½pcPf 7.5p
Maunders (John) Construction 2p
Merchants' Warehousing 1.2p
Mid-Sussex Water 4.025pc (fmly 5¾pc) Pf 1980-85 2.0125p
Midland Bank 14pcSubordLn 2002-07 7pc
Molins 2.2p
NCR 4pcLn 1993-98 2pc. 8½pcLn 1993-1998 4¼pc
Northern Foods 7pcDb 1980-85 3½pc. 7¼pcDb 1985-90 3⅝pc
OK Bazaars (1929) 6pc2ndCumPf 6cts
Oesterreichische Kontrollbank AG Gtd Fltg Rt Dep Nts 1987 $1,4692.71
Ogilvy & Mather Intnl Inc 23cts
Ozalid Grp Hldgs 9pcLn 1987-92 4½pc
Park Place Invs 3p
Paterson Zochonis 7½pcPf 3.75p. 10pcPf 5p
Peters (Michael) Grp 1.215p
Phicom 0.35p
Pillsbury 39cts
RMC Grp 4.4p
Raeburn Inv Tst 5pcPf 1.75p. 4¼pcLn 1973-98 2⅛pc
Resource Technology 0.7p
Rox Trueform Clothing 5.5cts. A (Non-Vtg) 5.5cts
Sainsbury (J.) 6½pc1stMtgDb 1988-93 3¼pc
Sale Tilney 5.5p
Save and Prosper Return of Assets Inv 6.3pc-12.3pc Pfd 1.89p
Scott & Robertson 0.9p
Scottish Television Non-Vtg A 2.3p
Senior Engineering Grp 0.75p
South Staffordshire Waterworks 4.9pc (fmly 7pc) Class A 2.45p. 4.9pc (fmly 7pc) Class B 2.45p. 4.9pc (fmly 7pc) Class B 2.45p. 3.5pc (fmly 5pc) 1.75p
South Tyneside (Met Borough of) 12¼pc 1986 6.125pc
S'hampton, IOW & SOE RM Steam Pkt 5pcPf 1.75p
Spirax-Sarco Engineering 2p
Stoddard (Hldgs) 4pcPf 2p
Suter 1.2p
TR City of London Tst Dfd 0.775p
Talbot Motor 5¼pcDb 1984-89 2⅝pc
Tay Homes 3.13p
Tesco 9pcLn 2002-07 4½pc
Throgmorton Tst 12½pcDb 2010 6¼pc
Trans-Oceanic Tst 5pc1stDb 1980-85 2½pc. 6pc1stDb 1984-89 3pc
Travis & Arnold 7pc1stPf 2.45p
Tricentrol 4p

Wade Potteries 10pcPf 5p
Wagon Industrial Hldgs 3½pcPf 0.875p
Westminster & Country Props 4.75p
SATURDAY DECEMBER 1
DIVIDEND & INTEREST PAYMENTS—
AMAX Inc 5cts
Agricultural Mortgage Corp 4½pcDb 1961-1991 2.25pc
Ailsa Inv Tst 1.75p
American Brands Inc 93.75cts
American General Corp 2.25cts
Barnet Corp 12¼pc 1987 6.125pc
Birmingham District Council 12½pc 1985 6.25pc
Cater Allen 5pc 1.75p. 4.2pc 2.1p
Charter Trust & Agency 5pc 1.75p. 6pc Db 1983-85
East Surrey Water A 7pc (fmly 10pc) Max 3.5p. B 4.9pc (fmly 7pc) Max 2.45p. C 3.5pc (fmly 5pc) Max 1.75p. 3.5pc (fmly 5pc) Pf 1.75p. 3.15pc (fmly 4½pc) 1980-85 1.575. 4.2pc (fmly 6pc) Pf 1985-90 2.1p. 5.6pc (fmly 8pc) Pf 1992-94 2.8p
Electricity Supply Board 12pc Prem Stk 1985 (Irish List) 6pc. 13pc 1983-85 (Irish List) 6.5pc. 13pc 1988 (Irish List) 6.5pc. 13½pc 2006-09 (Irish List) 6.75pc
Ellis & Goldstein Ptng Pf (Cum 6pc) 1.05p
Emsley (John) 4½pcPf 1.575p
Finance Variable Rate 1988 (Irish List) 6.51p
Ford Motor Co Bdr 2cts
Foreign & Colonial Inv Tst 4¼pcDb 1982-1987 2⅛pc. 4¼pcPerpDb 2⅛pc. 7¼pc Db 1989-94 3⅝pc
Fujitsu Y4
Fuller Smith & Turner 7¼pc1stMtgDb 1983-88 3⅝pc
General Cons Inv Tst 4¼pc A Pf 1.4875p
Genfinance NV 11.49pcLn 2007 (Reg) 5.745p
Greece (Kingdom of) Nat Mtg Bnk of Gr 7pc (2½pc) (Enf 1955) 3.5pc. 6pc Public Works Stlg Ln of 1928 (Assd) 3pc. 6pc Pub Works Stlg Ln 1928 Fdg Bds 1965 3pc. Nat Mtg Bk of Gr 7pc (2½pc) (Enf 1955) 3.5pc
Greene King & Sons 4pcDb 1975-84 2pc
Hambros Inv Tst 3½pcPf 1.225p. 6½pc Db 1981-86 3.25pc
Harris (Philip) 7½pcPf 2.625p. 8pcBPf 2.8p
Hertfordshire County Council 5½pc 1982-1984 2.75pc
IU Intnl Corp 30cts
Jamaica Public Service 7pc1stMtgDb 3.5p
Jones (A.) 6½pcPf 2.275p
Kirklees Metropolitan Council 11.6pc 2031 5.8pc
Law Debenture Corp 4½pcDb (Perp) 2.25pc
Lee-Cooper 7pcPf 2.45p
Lee Valley Water 2.8pc (fmly 4pc) 1.4p. 3.5pc (fmly 5pc) 1.75p. 2.8pc (fmly 5½pc) Pf 1984-85 1.925p. 4.2pc (fmly 6pc) Pf 1982-84 2.1p
Legal & General 7.5p
Lewis (John) Partnership 5pcPf 1.75p. 7½pcPf 2.625p
Lister 5pcPf (Cum) 1.75p. 4pcDb 2pc
Lombard North Central 5pcCum2ndPf 1.75p. 6pcCum1stPf 2.1p
London County 3pc 1920 1.5pc. 2½pc 1920 1.25pc
Malawi Railways 3½pc 1stDb (1968-88) 1.75pc
Metal Box 2.8pc2ndPf 1.4p
Monsanto 5pcLn 1992-97 2.5pc. 6.25pc Ln 1992-97 3.125pc
Murray Smaller Markets Tst 5½pcPf 1.925p
Planet Grp 1p
Portsmouth Water 3.5pc (fmly 5pc) 1.75p
REA Hldgs 1p
[illegible] Rentals 6pcPf 2.1p
Reed Intnl 4½pcPf 1.575p. 5½pcPf 1.925p
Reed Publishing 4pcPf 1.4p. 8pcPf 2.8p
Rickmansworth Water 3.5pc (fmly 5pc) 1.75p
Save & Prosper Linked Inv Tst 9.91p
Scottish Agricultural Sec Corp 7¼pcDb 1990-92 3.625pc
Scottish Mortgage & Tst 3.2p
Selincourt 7pcPf 2.45p
Southampton Harbour Board 6¾pc 1985-1990 3.375pc
Standard Trust 3¾pcDb (1975-85) 1.875pc. 5½pcDb 1983-88 2.75pc
Stock Exchange 7¼pcMtgDb 1990-95 3.625pc
Stockholders Inv Tst 4½pcPf 1.575p. 5pc Pf 1.75p. 5½pcPf 1.925p
TR Australia Inv Tst 5pcPf 1.75p
TR Trustees Corp 4½pcPf 1.575p
Tate & Lyle 5½pcDb 1980-85 2.75pc
Texas Eastern Corp 55cts
Union Carbide Corp 85cts
War 3½pcLn 1.75pc
Watney Mann & Truman 4¾pcDb 1988-1993 2.375pc. 6½pcDb 1987-90 3.25pc
Whitbread 6¼pcDb 1987-92 3.125pc. 6½pcDb 1986-91 3.25pc
Wiggins Teape 6¾pc2ndStk 1981-86 3.375pc
Young & Co Brewery 6½pc1stMtgDb 1984-1989 3.25pc
SUNDAY DECEMBER 2
DIVIDEND & INTEREST PAYMENTS—
BAT Industries 12¼pcLn 2003-08 6.125pc. Fltg Rate Cap Nts 1986-90 £5.1704pc. Fltg Rate Cap Nts 1986-90 £5.1704p

Closing prices, November 23

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B-B-B

C-C-C

D-D-D

E-E-E

F-F-F

G-G-G

H-H-H

I-I-I

J-J-J

K-K-K

L-L-L

M-M-M

N-N-N

O-O-O

P-Q

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, November 23

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 26

X—Y—Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52½	33¾	Xerox	3	7.9	11	1646	37⅞	37⅜	37⅞	+ ⅝
51⅞	45¼	Xerox	pf5 45	11		85	50⅛	49⅝	50⅛	+ ½
36½	19	XTRA	.2	8	8	134	22⅞	22⅜	22½	— ¼
33⅞	24	ZaleCp	1.32	4.7	9	6	28	27⅞	28	+ ¼
24⅞	15¾	Zapata	.84	4.9	13	114	17	16½	17	+ ½
49	28¾	Zayre	.40b	.9	12	1114	46	44⅝	45⅝	+ ⅞
38⅝	20	ZenithE			6	1051	22¼	22	22¼	+ 1
27⅞	18	Zero	.40	1.9	16	17	21½	21¼	21⅜	
34	21⅞	Zurnin	1.32	5.2	11	322	25⅝	25¼	25½	+ ¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER *Nasdaq national market, closing prices, November 23*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 29

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 27

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]										

CANADA

TORONTO
Closing prices November 23

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL
Closing prices November 23

Sales	Stock	High	Low	Close	Chng
[illegible]					

DENMARK

1984 High	Low	Nov. 23	Price Knr. %
362	216	Andelsbanken	264
720	510	Baltic Skand	550
350	207	CopHandelsbank	267
850	525	D. Sukkerfab	530
355	205	Danske Bank	265
1,800	930	De Danske Luft.	1,045
216	153	East Asiatic	157
1,250	720	Forenede Bryggr.	740
153	93	Forenede Damp.	90
700	362	GNT Hldg	364
725	354	I.S.S.B.	400
780	443	Jyske Bank	665
3,150	1,200	Novo Ind.	1,360
372	220	Privatbanken	237
370	285	Provinsbanken	285
500	200	Smidth (F)	220
1,375	845	Sophus Berend	875
588	411	Superfos	421

GERMANY

1984 High	Low	Nov. 23	Price Dm
116.7	80	AEG-Telef.	107.5
1,137	725	Allianz Vers.	1,032
179.2	144.5	BASF	171.5
186.5	152.2	Bayer	182.8
315	247	Bayern-Hypo	316
358	287	Bayern-Verein	329
316	219	BHF Bank	279
254	190.5	BMW	375.5
247.5	192.8	Brown Boveri	200.8
190	138.5	Commerzbank	179
141.8	107.4	Conti Gummi	117.7
638	515	Daimler-Benz	568
412	338	Degussa	384
192.5	138.5	D'sche Babcock	149.5
383	302.1	Deutsche Bank	381.4
189	138.2	Dresdner Bank	189
186.7	128.5	GHH	152
682	450	Hochtief	470
198.5	153.5	Hoechst	179.5
132.8	97.5	Hoesch Werke	102.8
408	340	Holzmann (P)	352
203	151	Horten	164
387	310	Husel	312
285	219.8	Karstadt	249.1
269.8	186	Kaufhof	238
284.5	212	KHD	246
78.5	47.9	Kloeckner	71
418	358	Linde	355.5
181.5	133	Lufthansa	176.5
181	125	MAN	147.5
158	131.8	Mannesmann	148.5
561	408	Mercedes Hld.	493.5
255	189	Metallgesell	217
1,370	910	Muench Rueck	1,200
548	456	Nixdorf	533.2
1,115	915	Porsche	1,025
288	216.5	Preussag	254
198.8	128.5	Rhein West Elect	166
291	245	Rosenthal	248
405	317	Schering	396
436.5	353.5	Siemens	408.5
94.5	69.3	Thyssen	81.5
199	160	Varta	179
185	159.5	Veba	170.9
127.9	108.5	V.E.W.	122.8
260	185	Verein-West	235
231.8	163	Volkswagen	195.7

FRANCE

1984 High	Low	Nov. 23	Price Frs.
1,999	1,670	Emprunt 4½% 1973	1,695
10,030	6,890	Emprunt 7% 1973	9,049
284	247	CNE 3%	249.7
578	497	Air Liquide	551
519	375	BIC	504
1,995	1,415	Bongrain	1,840
850	560	Bouygues	660
2,885	2,400	BSN Gervais	2,848
1,556	1,012	CIT Alcatel	1,345
1,919	1,005	Carrefour	1,845
1,145	724	Club Mediter	1,079
600	427	Cie Bancaire	588
262	207	Cofimeg	221
2,430	1,583	Damart	2,431
1,197	780	Darty	1,190
641	593	Dumez S.A.	618
598	488	Eaux (Cie Gen.)	530
236	180	Elf Aquitaine	227
3,020	2,195	Essilor	2,850
706	527	Gen. Occidentale	688
97.4	63.9	Imetal	90
393.5	300	Lafarge Coppee	376
2,600	2,101	L'Oreal	2,470
2,340	1,778	Legrand	1,883
357	140	Maisons Phenix	194
3,050	1,800	Matra S.A.	1,850
1,064	740	Michelin B	840
1,905	1,175	Midi (Cie)	1,826
1,871	1,315	Moet-Hennessy	1,840
160.8	90	Moulinex	81.2
71.5	43.7	Nord Est	71.4
845	662	Pernod Ricard	748
578	442	Perrier	488
313	184.5	Petroles Fra	256
257.5	179.5	Peugeot S.A.	210
199.6	130.5	Printemps (Au)	196.9
410	207	Radiotech	227
1,440	1,000	Redoute	1,405
1,710	720	Roussel-Uclaf	1,570
280.5	215	Sefimeg	270.1
1,735	1,180	Skis Rossignol	1,700
3,100	1,470	Telemech Elect	2,100
285	223	Thomson (CSF)	268.8
358	205	Valeo	241

NORWAY

1984 High	Low	Nov. 23	Price Kroner
190	140	Bergens Bank	159
455	315	Borregaard	312.5
190	139	Christiania Bk	156
168.5	143	Den Norsk Credit	161
187.5	108	Elkem	120
178.5	122.5	Kvaerner	174
386	252	Norsk Data	371
137.5	102.5	Norsk Hydro	118.5xa
272.5	172	Storebrand	197

ITALY

1984 High	Low	Nov. 23	Price Lire
19,750	14,995	Banca Com'le	15,450
183	89	Bastogi IRBS	110.25
2,500	1,416	Centrale	2,167
5,953	3,540	Credito Varesino	5,650
4,625	1,675	Fiat	1,919
56	32.25	Finsider	45.75
39,300	29,070	Generali Assic	30,600
3,485	2,621	Invest	2,960
64,000	40,500	Italcementi	54,000
497	345	La Rinascente	497
1,284	1,112	Montedison	1,219
6,080	3,865	Olivetti	5,950
3,315	2,464	Pirelli Co	3,132
1,974	1,419	Pirelli Spa	1,706
1,970	1,356	Snia Viscosa	1,955
14,500	10,750	Toro Assic	11,685
11,310	8,060	do. Pref	8,560

NETHERLANDS

1984 High	Low	Nov. 23	Price Fls
215	155	ACF Holding	188
146	107	AEGON	132.5
236	168.5	Ahold	177
123.2	77	AKZO	95.6
425	302	ABN	337
194	141.9	AMEV	192.8
82	51.5	AMRO	64.2
222	151	Bredero Cert	160
16	8.6	Bos Kalis Westm	16.2
75	51	Buehrmann-Tet	68
41.5	30.1	Calland Hldgs	31
153	110.5	Dordtsche Pet'm	150.6
115.4	75	Elsevier-NDU nv	111
71.4	41	Fokker	70.8
172.6	130.7	Gist-Brocades	157.7
157	116	Heineken	138.5
66.4	41.6	Hoogovens	62.9
44.8	32.6	Int Mueller	36.5
56.5	40.8	KLM	42.2xc
49.5	34.1	Naarden	43.5
258	200	Nat Ned Cert	241
198	125	Ned Mid Bank	144
196.5	99.7	Nedlloyd	158.8
292	212	Oce Grinten	273
34.5	24.4	Ommeren (Van)	28.1
77	53	Pakhoed	64.3
57.3	41.7	Philips	53.6
81	48.2	Robeco	67.3
151	120.1	Rodamco	136
67	55.3	Rolinco	63.3
53.4	35.6	Rorento	42.8
196.5	128.2	Royal Dutch	168.3
318.2	252.3	Unilever	296.5
140	90	VMF Stork	137
199.8	137	VNU	191
145.5	72.5	West Utr Bank	110

AUSTRIA

1984 High	Low	Nov. 23	Price %
227	205	Credit'stalt Pfd	225
303	260	Goesser	260
410	381	Interunfall	381
326	315	Laenderbank	323
389	300	Perlmooser	389
162	159	Steyr-Daimler	160
252	206	Veitscher Mag	244

BELGIUM/LUXEMBOURG

1984 High	Low	Nov. 23	Price Frs.
2,085	1,740	B.B.L.	1,810
[illegible]	[illegible]	Banq. Int. A Lux	[illegible]
[illegible]	[illegible]	Bekaert B	[illegible]
2,800	2,010	Ciment CBR	2,440
328	175	Cockerill	287
6,050	4,730	Delhaize	5,750
2,920	2,290	EBES	2,605
8,800	5,850	Electrobel	8,500
2,425	1,800	Fabrique Nat	2,060
3,595	3,060	GB Inno BM	3,090
2,600	2,120	GBL (Brux)	2,125
6,850	3,970	Gevaert	3,610
[illegible]	[illegible]	Hoboken	[illegible]
3,000	1,805	Intercom	2,140
7,610	6,280	Kredietbank	7,050
10,350	8,850	Pan Hldgs	9,850
8,210	6,010	Petrofina	7,050
10,100	7,350	Royale Belge	10,100
5,900	2,885	Soc. Gen. Banq	3,205
2,400	1,950	Soc. Gen. Belge	1,795
6,540	5,190	Sofina	7,750
4,800	3,430	Solvay	4,190
1,520	1,050	Stanwick Intl	1,480
4,500	3,125	Tractionel	3,985
4,990	3,575	UCB	4,950
2,670	1,865	Wagon Lits	2,400

SPAIN

1984 High	Low	Nov. 23	Price Pta %
368	252	Bco Bilbao	319
375	278	Bco Central	332
268	164	Bco Exterior	203
264	209	Bco Hispano	222
421	224	Bco Popular	388
348	287	Bco Santander	331
181	120	Dragados	162.2
81.2	41.2	Hidrola	77.7
90.5	40.5	Iberduero	87.7
172.5	102	Petroleos	144.1
104.7	69.7	Telefonica	94.5

AUSTRALIA

1984 High	Low	Nov. 23	Price Aust. $
5.93	4.27	ANZ Group	5.26
1.05	0.50	Alliance Oil Dev.	1.05
2.11	1.40	Ampol Pet.	1.8
1.05	0.80	Ashton	0.84
1.97	1.60	Aust. Cons. Ind.	1.65
3.4	2.35	Aust. Guarantee	2.88
2.75	1.90	Aust. Nat. Inds.	2.55
2.45	1.80	Aust. Paper	2.27
6.40	3.90	Bell Group	5.7
8.90	3.50	Bell Res.	6
1.72	1.20	Bond Corp Hldgs	1.67
4.90	3.02	Boral	4.16
2.78	1.82	Bougainville	1.88
[illegible]			

SWEDEN

1984 High	Low	Nov. 23	Price Kronor
400	330	AGA	330
[illegible]			

SINGAPORE

1984 High	Low	Nov. 23	Price $
[illegible]			

SWITZERLAND

1984 High	Low	Nov. 23	Price Frs.
[illegible]	[illegible]	Alusuisse	745
4,590	3,360	Bank Leu	3,725
1,580	1,340	Brown Boveri	1,350
2,560	2,085	Ciba-Geigy	2,460
2,190	1,655	do. (Part Certs)	1,955
2,385	2,040	Credit Suisse	2,290
2,820	2,290	Elektrowatt	2,500
748	590	Fischer (Geo)	601
112 350	86,125	Hoff-Roche PtCts	88,000
10,900	8,650	Hoff-Roche 1/10	8,885
6,825	5,725	Jacobs Suchard	6,100
1,925	1,700	Jelmoli	1,890
1,600	1,290	Landis & Gyr.	1,530
6,500	4,665	Nestle	6,280
1,545	1,030	Oer-Buehrle	1,315
280	243	Pirelli	249
7,600	6,450	Sandoz (Br)	6,900
1,285	940	Sandoz (Pt Cts)	1,130
645	460	Schindler (Pt Cts)	630
4,010	810	Sika	1,040
4,175	3,410	Surveillance	3,680
1,020	900	Swissair	1,000
365	309	Swiss Bank	351
8,350	7,050	Swiss Reinsce.	7,725
1,690	1,320	Swiss Volksbk.	1,465
3,650	3,150	Union Bank	3,480
3,295	2,770	Winterthur	3,260
18,900	16,560	Zurich Ins.	17,700

HONG KONG

1984 High	Low	Nov. 23	Price H.K.$
29.7	17.8	Bank East Asia	22
10.6	6.15	Cheung kong	8.9
12.5	7.5	China Light	12.4xa
4.35	1.14	Evergo.	1.56
47.0	25.9	Hang Seng Bank	39.75
7.4	5.05	HK Electric	6.5
4.7	2.75	HK Kowloon Wh.	4.5
4.3	2.02	HK Land.	3.6
7.76	5.2	HK Shanghai Bk.	7.05
49	35.5	HK Telephone	45.75
15.5	8.4	Hutchison Wpa	15.4
14.3	5.5	Jardine Math	8.25
4.12	2.25	New World Dev	4.05
2.87	1.95	Orient O'seas	2.7
4.0	2.02	O'seas Trust Bnk	2.55
8.3	4.12	SHK Props.	7.15
2.60	1.44	Shell Elect.	1.68
21.0	12.9	Swire Pac A.	19.4
4.9	2.65	TV-B	4.8
4.2	2.85	Wheel'k Mard A.	3.72
2.5	1.46	Wheel'k Maritme	1.46
2.6	1.57	World Int. H'ldgs	1.14

JAPAN

1984 High	Low	Nov. 24	Price Yen
1,270	980	Ajinomoto.	1,120
2,860	1,850	Alps Electric	2,030
1,410	985	Amada	1,100
642	405	Asahi Chem.	571
870	565	Asahi Glass	830
655	526	Bridgestone	554
1,670	1,070	Canon	1,590
1,790	1,080	Casio Comp.	1,630
1,170	940	Chugai Pharm.	1,070
709	446	Citizen	598
737	620	Daiei.	680
1,180	875	Dai Nippon Ptg	1,030
553	435	Daiwa House	543
390	307	Ebara	342
1,570	865	Eisai	1,480
12,900	7,385	Fanuc	11,000
1,150	600	Fuji Bank	1,080
2,310	1,450	Fuji Film.	1,540
1,210	752	Fujisawa	1,040
1,540	1,080	Fujitsu.	1,570
2,080	1,490	Green Cross.	1,630
453	320	Hasegawa.	355
684	327	Heiwa Real Est.	562
1,000	780	Hitachi	848
1,930	1,020	Hitachi Credit.	1,040
1,390	989	Honda	1,280
899	700	House Food	720
2,870	1,460	Hoya	2,460
340	274	Itoh (C)	288
2,510	1,740	Ito-Yokado	2,500
2,420	1,180	Iwatsu	1,470
404	313	JACCS	315
5,600	2,460	JAL	5,300
884	741	Jusco	741
330	265	Kajima	273
845	660	Kao Soap	804
761	580	Kashiyama	625
625	514	Kirin	518
1,150	890	Kokuyo	984
545	425	Komatsu	425
765	532	Konishiroku	565
343	295	Kubota	322
503	416	Kumagai	440
8'440	5,250	Kyoto Ceramic	7,360
539	380	Maeda Const	475
1,650	1,080	Makino Milling	1,260
1,320	887	Makita	1,070
415	265	Marubeni	303
700	541	Marudai.	550
1,450	1,000	Marui	1,050
2,010	1,400	MEI	1,400
791	602	M'ta Elec. Works	657
1,150	600	M'bishi Bank	1,010
589	501	M'bishi Corp	511
449	361	M'bishi Elect	407
560	438	M'bishi Estate.	488
273	216	MHI	236
390	321	Mitsui Co.	323
778	606	Mitsui Estate	665
406	334	Mitsukoshi	345
950	620	NGK Insulators	950
232	191	Nihon Cement.	204
1,650	1,300	Nippon Denso.	1,410
1,640	1,050	Nippon Elect.	1,230
343	280	Nippon Express	337
1,560	600	Nippon Gakki.	1,530
162	133	Nippon Kokan.	137
1,220	835	Nippon Oil.	905
740	490	Nippon Seiko	684
704	500	Nippon Shimpan	528
185	143	Nippon Steel	150
365	304	Nippon Suisan.	319
16,500	6,990	NTV	12,990
262	213	Nippon Yusen.	253
765	500	Nissan Motor	600
631	410	Nisshin Flour	584
232	156	Nisshin Steel	168
950	614	Nomura	760
1,210	830	Olympus.	1,150
4,180	2,400	Orient Leasing	3,480
3,850	2,240	Pioneer	2,580
750	614	Renown	630
1,190	809	Ricoh	973
1,020	655	Sankyo	935
586	456	Sanyo Elect.	514
589	358	Sapporo.	393
626	540	Sekisui Prefab	575
9,300	7,270	Seven Eleven	9,300
1,410	991	Sharp	1,070
795	486	Shimadzu	787
770	590	Shionogi.	709
1,230	946	Shiseido.	1,170
4,170	3,200	Sony.	3,560
1,160	570	Stanley	959
1,290	500	Sumitomo Bank.	1,230
1,000	745	S'tomo Elect	957
682	255	S'tomo Marine	551
198	143	S'tomo Metal.	147
566	438	Taihei Dengyo	485
238	185	Taisei Corp	199
1,070	871	Taisho Pharm.	964
850	665	Takeda	787
7,080	4,500	TDK	4,890
456	336	Teijin	428
785	650	Teikoku Oil	677
708	513	Tokyo Marine	680
915	695	TBS	811
1,400	1,040	Tokyo Elect. Pwr.	1,320
188	137	Tokyo Gas.	159
664	600	Toyko Sanyo.	699
990	691	Tokyo Style	723
368	254	Tokyu Corp	292
916	654	Toppan Print.	910
500	382	Toray	412
490	367	Toshiba Elect.	420
686	530	TOTO	576
885	495	Toyo Seikan.	855
1,500	1,200	Toyota Motor	1,230
3,400	1,900	Victor.	1,930
823	700	Wacoal	735
698	472	Yamaha.	625
1,970	1,140	Yamanouchi	1,950
800	606	Yamazaki	705
385	246	Yasuda Fire.	332
475	398	Yokogawa Bdge.	—

SOUTH AFRICA

1984 High	Low	Nov. 23	Price Rand
3.2	1.25	Abercom	1.47
9.75	7.2	AE & CI	7.85
40	23.5	Anglo Am. Coal	40
26.6	19.75	Anglo Am Corp	25.0
178	127	Anglo Am. Gold.	169.5
23.5	14.9	Barclays Bank	17.25
14.85	10.15	Barlow Rand	11.25
88.5	55.8	Buffels	79.25
3.6	1.7	CNA Gallo	2.6
5.5	3.2	Currie Finance	4.2
10.9	8.3	De Beers	8.46
56.5	36.5	Driefontein	53.25
61	25	FS Geduld.	55.25
33.3	22.5	Gold Fields S.A.	24.0
6.9	4.1	Highveld Steel	4.3
19.75	10.7	Nedbank	13.4
21.5	12.6	OK Bazaars	15.5
3.80	1.45	Protea Hldgs	1.8
29.5	20	Rembrandt	30.75
15.75	12.1	Rennies	14.5
16.55	12.65	Rust Plat	16
9.5	6.8	Sage Hldgs	7.1
7.9	5.6	SA Brews	6.7
26.75	17.8	Smith (C.G.)	23.25
13.00	6.75	Tongaat Huletts.	8.15
5.90	4.00	Unisec.	4.7

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK

DOW JONES

	Nov. 23	Nov. 21	Nov. 20	Nov. 19	Nov. 16	1984 High	1984 Low	Since Compiltn High	Since Compiltn Low
●Industri'ls	1220.30	1201.52	1195.12	1185.29	1187.94	1286.64 (5/1)	1086.57 (24/7)	1287.7 (19/11/83)	41.22 (2/7/32)
H'me Bnds	72.77	72.22	72.15	72.01	71.59	72.77 (23/11)	64.81 (25/5)	—	—
Transport.	532.99	523.58	520.30	516.00	516.22	612.63 (9/1)	444.03 (25/7)	612.63 (9/1/84)	12.32 (8/7/32)
Utilities	145.72	143.67	143.26	142.90	143.77	146.39 (6/11)	122.25 (16/5)	163.72 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	73,910	81,620	83,240	69,730	83,140	—	—	—	—

●Day's High 1224.49 (1207.06) low 1204.28 (1185.07)

Industrial div. yield %	Nov. 9	Nov. 2	Oct. 26	year ago (approx)
	4.76	4.75	4.80	4.46

STANDARD AND POORS

	Nov. 23	Nov. 21	Nov. 20	Nov. 19	Nov. 16	1984 High	1984 Low	Since Comp'tn High	Since Comp'tn Low
Indust'ls.	187.09	184.55	184.36	183.09	184.17	191.48 (6/11)	187.74 (24/7)	194.84 (10/10/83)	3.62 (30/6/32)
Comp's'te	166.92	164.52	164.18	163.09	164.10	170.41 (6/11)	147.82 (24/7)	172.65 (10/10/83)	4.40 (1/6/32)

	Nov. 14	Nov. 7	Oct. 31	year ago (approx)
Industrial div. yield	4.07	3.95	4.03	3.97
Industrial P/E ratio	10.69	10.89	10.69	14.37
Long Gov. Bond yield	11.71	11.57	11.60	11.61

N.Y.S.E. ALL COMMON

Nov. 23	Nov. 21	Nov. 20	Nov. 19	1984 High	1984 Low
96.10	94.79	94.59	94.10	98.12 (6/11)	85.13 (24/7)

Rises and Falls

	Nov. 23	Nov. 21	Nov. 20
Issues Traded	1,944	1,948	1,984
Rises	1,212	784	837
Falls	329	663	664
Unchanged	403	501	483
New Highs	(u)	25	16
New Lows	(u)	42	61

OVER-THE-COUNTER

Continued from Page 28

Stock		Sales (Hnds)	High	Low	Last	Chng
Copytel		182	33½	32	32	-1
Corcom		2	9½	8¾	8¾	-¾
Cordis		2797	7¾	7½	7½	-¼
CoreSt	2.08	252	41½	40¾	41½	+½
Corvus		1000	3½	3¼	3½	+¼
Cosmo		280	6½	6½	6½	
CrkBrl	.14	109	14½	13½	14	+¼
Cronus		6	11¼	11¼	11¼	-¼
CrosTr	.80	328	24½	23½	24	+½
CwnBk		107	10¾	10¼	10¾	+¼
CullnFr	.94	10	29¾	29¾	29¾	+½
Cullum	.56	199	17¼	17	17¼	+¼
Cycare		24	19¾	19½	19½	-½
D–D						
DBA		43	9½	9¼	9½	+½
DEP		15	7¼	6¾	7¼	
DaisySy		2062	26	25	25¾	+1
DmnBio		179	5¼	5	5¼	+¼
DartGp	.13	2	97	97	97	+1
[illegible]						

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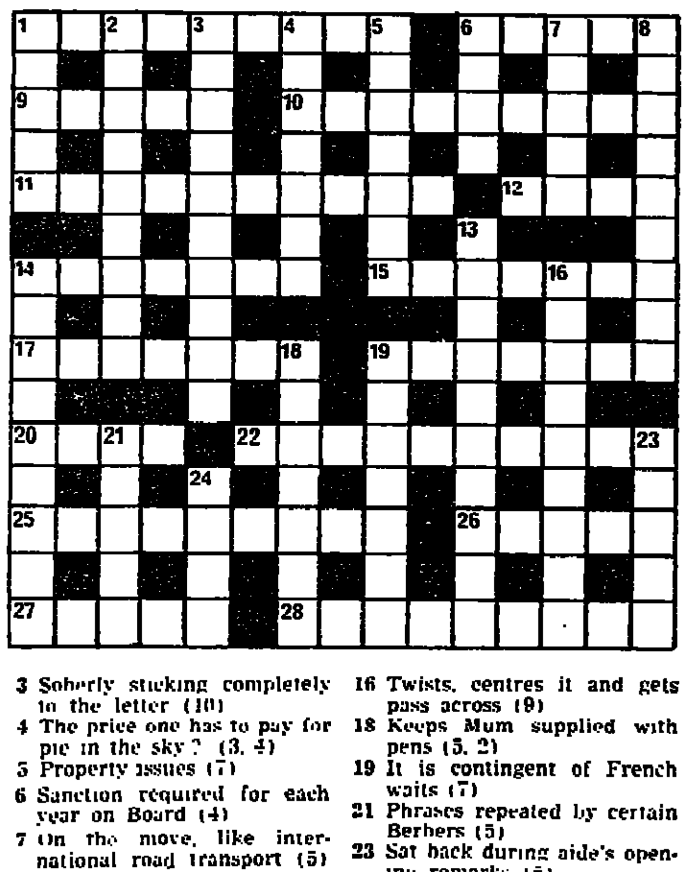
INSURANCES

Oppenheimer Fund Mngt Ltd.
66 Cannon St, London EC4N 6AE.

Oppenheimer Trusts			01-236 3885	
International Growth	79 3	85.2	+0.3	2.0
Income & Growth	34.9	37 3	−0 3	4.10
Special Situations	45 3	48.2	−0.2	2 30
American Growth	23.8	25 3	+0 1	0.50
Japan Growth	33.1	35.3	+0 3	—
Practical			01-623 8893	
Income Units	37 1	39.5	.....	3.50
Accum. Units	65.1	69.3	−0 1	3 50

F.T. CROSSWORD PUZZLE No. 5,579



ACROSS

1 Lacking flourish needed for radio broadcasting (5, 4)
6 The stage requires a certain amount of moonlighting (5)
9 Locate one of the links between horse and vehicle (5)
10 It's a load of rubbish—a cabbie would never do it (6, 3)
11 My concern is different: it's about a form of witchcraft (10)
12 Let loose on the House (4)
14 Best time to wear feathers (7)
15 It causes irritation, that is if taken in by non-strikers (7)
17 Pays for the seats (7)
19 Does not assess how vermin can get into seed mixture (7)
20 Support for canvas enclosure (4)
22 What the grower wants is to cut down on this sort of delivery (6, 4)
25 When business is slack it's because of bad weather (3-6)
26 They take advantage of drug addicts (5)
27 Opera singer making comeback is so wrapped up in the performance (5)
28 Arranged to meet on station but indicating a later time (4-5)

DOWN

1 How baby-minders protest? (5, 2)
2 There's no mistake on statement: it appears as interim payment (2, 7)
3 Soberly sticking completely to the letter (10)
4 The price one has to pay for pie in the sky? (3, 4)
5 Property issues (7)
6 Sanction required for each year on Board (4)
7 On the move, like international road transport (5)
8 Declares it is using old machinery (9)
13 Just the reason for providing entertainment venue (10)
14 Cat's-paw needs to be careful (9)
16 Twists, centres it and gets pass across (9)
18 Keeps Mum supplied with pens (5, 2)
19 It is contingent of French waits (7)
21 Phrases repeated by certain Berbers (5)
23 Sat back during aide's opening remarks (5)
24 Not first-class but it's said he'll start the game (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Wardley Investment Services Ltd
4th Floor, Hutchinson House, Hong Kong

Wrdly Tst	$5 27	5.63	....	1 42
WrdyNikAF	$25 73	27 29	....	5.50
WrdlyBdT	$10 40	11 00	....	7.36
WrdlyJapT	$33.36	35 37	....	0 28
WrdlyPyCT	$10.12	10.70	....	2 06

West Avon Secs (Guernsey) Ltd
Borough Hse, St Peter Port, Guernsey. 0481 27963

Gilt&OptFd	£1.18	1 23	....	—
U.S. & Opt	$0.94	0.99	....	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

WwdGthFd	$11.58	—	−0 02	—

Inv. Adv.: M&G Inv. Mngt. Ltd., London.

Wren Commodity Management Ltd
10, St George's St, Douglas, IoM. 0624 25015

Wren Com Fd	12.8	13.3	....	3.10
Chinese Fd	59.9	62.4	....	1 70
PrecMedFd	122.7	127 8	....	8.30
VangCmdyFd	25.8	26 5	−1.6	—
FinFuturesFd	32.4	33.8	....	—

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.

DynmcGthFd		$9.42	....	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Malinhall Ltd 36 Berkeley Sq, W1X 5DA. 01-499 6634				
M'hallMnyFd	9.125	9.442	Qtr	Call
The Money Market Trust 63 Qn Victoria St, EC4N4ST. 01-236 0952				
Call Fund	9.32	9.38	6mth	Call
7-day Fund	9.75	10.03	6mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N NAE. 01-236 1425				
Call Fund	8.82	9.01	6mth	Call
7-day Fund	9 65	9.88	6mth	7-day
MnyMngAc	8.87	9 17	3mth	Call
Dollar	7.50	7.68	6mth	2-day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
TreasuryAcc	9 625	9.98	Qtr	Call
Mth Int Chq	9.625	10 06	Mth	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	9 45	9.87	Mth	Call
Barclays Prime Account PO Box 125, Northampton. 0604 252891				
High Int Chq	9.25	9 57	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circ, EC2M 5QL. 01-588 2777				
Cater Allen	9.75	10.198	Mth	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	9 50	9 92	Mth	Call
U.S. Dollar	8.50	8.96	Mth	Call
German Marks	5 0	5.19	Mth	Call
Swiss Franc	2.0	2.05	Mth	Call
Japanese Yen	5.0	5.19	Mth	Call
Choulartons 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW. 061-928 9011				
Cheque Acc	10.25	10.75	Mth	Call
Co-operative Bank 78-80 Cornhill EC3. 01-626 6543 Ext 464				
Cheque&Save	8 00	8 24	Qtr	Call
Over£1,000	10.00	10 38	Qtr	Call
Dartington & Co Ltd Dartington, Totnes, Devon, TQ9 6JE. 0803 862271				
MnyMktAcc	10.25	10.66	Qtr	Call
Lombard North Central plc 17 Bruton St, W1A 3DH 01-409 3434				
Notice Dep	9.875	10.12	Rate	14-day
M & G Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
HighInChqAc	9.26	9.70	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	9.26	9.70	Qtr	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford, RM1 3LB. 0708 66966				
HghIntMktAc	9.07	9.50	Daily	Call
Premier Acc	9.07	9.50	Daily	Call
Tyndall & Co 29 33 Princess Victoria St, Bristol BS8 4BX 0272 732241				
Demand Acc	9 34	9.68	Qtr	Call
Money Acc	9.625	9.98	Qtr	Chq 7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth. 0705 827733				
Special Acc	9.60	10.03	Mth	Call
Over £1,000	9.85	10.30	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices includes all expenses if bought through managers. z Previous day's price. ‡ Guernsey gross. — suspended. ◆ Yield before Jersey tax. † Ex-subdivision. :: Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase.

FT LONDON SHARE INFORMATION SERVICE

AMERICANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
F May Aug N	Abbott Labs.$1	32⅞	10.10	$1.20	—	3.0
Mr.Ju.Se.De.	Ahmanson (H.F.)	19½	—	$1.20	—	5.0
F My Ag N	Alcoa $1	29	30.4	$1.20	—	3.3
Mr Jn Se De	Allied Corp $1	28¼	5.11	$1.80	—	5.2
My Jy S D	Amax $1	14⅛	5.11	20c	—	1.1
F My Au N	Amdahl 5c	871p	11.4	20c	—	1.9
F.M.A.S.	Amer. Express $0.60	29½	3.1	$1.28	—	3.5
F.My.Au.N	Amer Medical Int $1	17¼	5.10	60c	—	2.7
May Au No Fb	Amer. Nat. Res. $1	30¼	10.10	$1.41	—	3.8
Ap Jy Oc Ja	American T. & T. $1	15	27.3	$1.20	—	6.5
My Au N F	Ameritech $1	60	—	$6.00	—	8.1
Mar Jn S D	Amfac $1	19	16.11	$1.44	—	6.1
—	♦AridTech$	29½p	—	—	—	—
Fb My Au N	Bankamerica $1.5	14	9.11	$1.52	—	8.6
Ap Jly Oc Jan	Bankers N.Y. $10	42	29.3	$2.45	—	4.7
My Au N Fb	Bell Atlantic $1	63	27.3	$6.40	—	8.2
Fb My Au N	BellSouth $1	26½	25.9	$2.60	—	7.9
Mar Jun S D	♦Beth Steel $8	13½	4.11	60c	—	3.6
Oc Ja Ap Jy	Bowater Inc.	16½	—	72c	—	3.6
Ja Ap Jly O	Brown'g-Fer. 16⅔c	28	13.6	96c	—	2.8
F My Au N	Brunswick Corpn.$	26¼	22.10	80c	—	2.4
—	♦Business Computer	544p	—	—	—	—
Jan Ap Jly O	CPC Intnl. 25c	32½	25.6	$2.20	—	5.5
Mar. June S D	CalFed Inc $1.00	12½	9.8	32c	—	2.5
Oc Ja Ap Jy	Campbell Soup 60c	55	1.4	$2.50	—	3.6
F My Au N	Caterpillar Tractor$	25	17.10	50c	—	1.6
Fb.My.Ag.Nv.	Chase M'htn $12.5	34	10.8	$3.65	—	8.7
Ap Jy Oc Ja	Chemical New York	25½	12.3	$2.36	—	7.5
Mar Jun S D	Chesebrough-Pond's $1	29	29.8	$1.92	—	5.3
Mar Jun S D	Chrysler $6¼	21	12.3	60c	—	2.2

BRITISH FUNDS

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Five to Fifteen Years

Over Fifteen Years

Undated

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HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov	May	Marcus-Black	22	5.79	—	—	—	—
—		Mathesons 7¼%	£89	30.6	Q7¼%	2.3	19.0	—
Jan.	June	Metal Box £1	346	18.6	†15.0	3.2	6.3	5.5
Nov.	June	Metal Closures	162	17.9	6.3	2.3	5.6	(9.0)
—		Metal Sciences 2½p	12	—	—	—	—	—
April	Dec.	Metamec Jeoquer	8½	12.12	0.01	—	—	—
July	Jan.	Midland Marts	93	14.5	4.0	1.8	6.2	11.6
Jan	May	Mitchell Cotts	78	02.3	4.0	1.5	8.5	9.6
July	Dec.	Moben Grp 1p	15	9.4	††0.5	2.5	4.8	(9.5)
Jan.	July	Morgan Crucible	168	12.11	†7.5	1.2	6.4	(17.0)
May		Morris (W) Fine Arts	15½	—	bg0.25	4.0	2.3	14.2
Jan.	Aug.	Moss (Robt.) 10p	102	4.6	†2.5	2.9	3.5	12.3

INSURANCES

LEISURE

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		Nimslo Int 20c	19	—	—	—	—	—
		For Norton Opax see Paper, Printing						
July		Owners Abroad	19½	9.4	0.75	6.1	5.5	3.5
June	Nov	Photax (Lon.)	46	4.62	—	—	—	—
—		P'dilly Radio NV 5p	29½	13.8	1.87	♦	11.9	♦
December		Pineapple Dnc St 10p	75	14.11	d1.5	4.0	2.9	9.5
Sept.	Apr.	Pleasurama 5p	365	17.9	6.5	4.7	2.5	11.9
—		Pres Entertain 10p	17	—	bg0.02	2.0	0.2	21.6
Feb-July		Radio City 'A' NV	78	18.6	5.6	1.9	11.4	6.5
—		Radio Clyde N/V	55	4.6	3.0	1.4	7.8	12.8
July	Jan	Riley Leisure 10p	41	29.10	†4.2	2.4	†	3.4
Apr.	Nov.	Saga Hols. 20p	138	3.9	†3.75	1.6	3.9	23.1

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Dec	July	McInerney 10p	57	18.6	Q76.9%	5.0	11.1	2.8
Dec	July	Mckay Secs 20p	110	3.9	h2.8	2.2	3.6	17.9
October		Morland Secs 5p	122	18.7	♦d2.0	1.3	2.3	(43.5)
Apr	Oct	Mountleigh	245	15.10	5.5	3.5	3.2	9.7
Mar	Aug	Mountview Ests. 5p	335	18.6	4.5	9.5	1.9	7.8
July	Oct	Muckiow (A. & J.)	80	14.5	4.73	1.2	8.7	12.2
—		New Cavendish 5p	92	14.11	1.2	1.1	1.9	63.9
—		New England Prop 5p	18	26.3	1.0	1.5	7.9	(10.6)
September		Parkdale Hldgs. 10p	33	27	0.9	2.0	3.9	17.3
May	Dec	Peachey	295	29.10	7.0	2.1	4.3	15.7
March	Nov	Peel Hldgs	282	17.9	d7.35	1.7	3.7	(20.9)
—		Phoenix Prop. and Fin.	33	—	—	—	—	♦

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Dividends Paid		Stock	Price
Jan.	Aug.	Equity Consort £1	
August		Do Dfd. 50p	
—		European Assets DFl1	
Dec	July	F & C Alliance Inv	
October		F & C Eurotrust	
—		F & C Pacific Inv. T.	
May	Nov.	Family Inv. Tst.	
Feb.	July	Fashion & Gen.	
July		First Charlotte Assets	
Sept.	Apr.	First Scot. Am.	
Jan	July	FUGIT R0.25	
Oct	April	Fledgeling Japan Ic	

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Jan	June	Falcon Z50c	158	29.10	Q100c	♦	38.9
Nov.	May	Wankie Col. Z$1	9½	25.4	—	—	—
October		Zam.Cpr.SBD0.24	14½	7.90	—	—	—

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

BASE LENDING RATES

A.B.N. Bank 9½%	■ Hill Samuel § 9½%
Allied Irish Bank 10 %	C. Hoare & Co. † 9½%
Amro Bank 9½%	Hongkong & Shanghai 9½%
Henry Ansbacher 9½%	Johnson Matthey Bkrs. 10 %
Armco Trust Ltd. 11 %	Knowsley & Co. Ltd. 10½%
Associates Cap. Corp. 10½%	Lloyds Bank 9½%
Banco de Bilbao 9½%	Mallinhall Limited 10 %
Bank Hapoalim 9½%	Edward Manson & Co. 11 %
BCCI 9½%	Meghraj and Sons Ltd. 10 %
Bank of Ireland 9½%	Midland Bank 9½%
Bank of Cyprus 9½%	■ Morgan Grenfell 9½%
Bank of India 10 %	National Bk. of Kuwait 9½%
Bank of Scotland 9½%	National Girobank 9½%
Banque Belge Ltd. 9½%	National Westminster 9½%
Barclays Bank 9½%	Norwich Gen. Tst. 9½%
Beneficial Trust Ltd. 11 %	People's Tst. & Sv. Ltd. 10½%
Brit. Bank of Mid. East 9½%	R. Raphael & Sons 9½%
■ Brown Shipley 10 %	P. S. Refson 10 %
CL Bank Nederland 9½%	Roxburghe Guarantee 10½%
Canada Perm'nt Trust 9½%	Royal Bk. of Scotland 9½%
Cayzer Ltd. 9½%	Royal Trust Co. Canada 9½%
Cedar Holdings 11 %	■ J Henry Schroder Wagg 9½%
■ Charterhouse Japhet 9½%	Standard Chartered 9½%
Choulartons 11½%	Trade Dev. Bank 9½%
Citibank NA 9½%	TCB 9½%
Citibank Savings ¶11½%	Trustee Savings Bank 9½%
Clydesdale Bank 9½%	United Bank of Kuwait 9½%
C. E. Coates & Co. Ltd. 11 %	United Mizrahi Bank 9½%
Comm. Bk. N. East 9½%	Westpac Banking Corp. 9½%
Consolidated Credits 10½%	Whiteaway Laidlaw 10½%
Co-operative Bank * 9½%	Williams & Glyn's 9½%
The Cyprus Popular Bk. 9½%	Wintrust Secs. Ltd. 10 %
Dunbar & Co. Ltd. 9½%	Yorkshire Bank 9½%
Duncan Lawrie 9½%	■ Members of the Accepting Houses Committee.
E. T. Trust 11 %	* 7-day deposits 6.25%. 1 month 7.00%. Fixed rate 12 months £2,500 £8.75% £10,000, 12 months 9.00%.
Exeter Trust Ltd. 10 %	† 7-day deposits on sums of under £10,000 6¼%, £10,000 up to £50,000 7¼%, £50,000 and over 8%.
First Nat. Fin. Corp. 12½%	‡ Call deposits £1,000 and over 6¼%.
First Nat. Secs. Ltd. 12 %	§ 21-day deposits over £1,000 7¼%.
■ Robert Fleming & Co. 9½%	¶ Demand deposits 6¼%.
Robert Fraser & Ptns. 10 %	¶ Mortgage base rate.
Grindlays Bank ‡ 9½%	
■ Guinness Mahon 9½%	
■ Hambros Bank 9½%	
Heritable & Gen. Trust 9½%	

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.61	90.64	90.55	90.52
March	90.35	90.35	90.26	90.21
June	89.92	89.93	89.81	89.77
Sept	89.52	89.52	89.37	89.34
Dec	89.15	89.15	89.04	88.97

Est. volume 4,023 (3,614)
Previous day's open int. 11,484 (10,787)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
Dec	90.35	90.37	90.30	90.32
March*	90.49	90.49	90.43	90.44
June*	90.35	90.35	90.30	90.34
Sept*	90.05	90.05	90.05	90.10
Dec*	89.75	—	—	89.75

Est. volume 853 (1,390)
Previous day's open int. 6,435 (6,313)
* £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	109-12	109-12	108-26	109-01
March	108-20	108-20	108-11	108-10
June	108-03	—	—	107-25
Sept	111-03	—	—	110-28
Dec	—	—	—	108-06

Est. volume 1,719 (3,450)
Previous day's open int. 2,814 (3,822)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 02 to 10 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.2192	1.2265	1.2185	1.2300
March	1.2187	1.2254	1.2180	1.2300
June	1.2187	—	—	1.2310

Est. volume 376 (497)
Previous day's open int. 5,968 (5,822)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3307	0.3327	0.3306	0.3336
March	0.3338	—	—	0.3356
June	—	—	—	0.3376

Est. volume 82 (52)
Previous day's open int. 393 (532)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.4003	0.4005	0.4003	0.4024
March	—	—	—	—
June	—	—	—	0.4456

Est. volume 2 (1)
Previous day's open int. 541 (542)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4081	—	—	0.4100
March	—	—	—	0.4323
June	—	—	—	—

Est. volume nil (2)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	116.40	116.50	115.85	116.45
March	116.45	—	—	116.55
June	116.85	—	—	116.36

Est. volume 162 (251)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec.	73-06	73-11	72-17	72-17
March	72-17	72-17	72-02	71-24

Est. volume 2,574 (378)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	73-08	73-13	72-21	72-09
March	72-17	72-22	71-26	71-15
June	71-28	72-01	71-06	70-25
Sept	71-10	71-15	70-22	70-07
Dec	70-26	70-29	70-05	69-23
March	70-12	70-15	69-24	69-09
June	70-00	70-03	69-17	68-29
Sept	—	—	—	—
Dec	69-11	69-11	69-04	68-08
March	69-02	69-02	68-30	67-31
June	68-26	—	—	67-23

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	91.69	91.77	91.64	91.62
March	91.44	91.52	91.37	91.31
June	91.04	91.13	90.96	90.92
Sept	90.66	90.78	90.60	90.56
Dec	90.33	90.41	90.26	90.22
March	90.02	90.08	90.02	89.89
June	89.76	89.77	89.74	89.58
Sept	89.47	89.47	89.47	89.28

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	91.01	91.03	90.95	90.89
March	90.68	90.73	90.62	90.53
June	90.22	90.20	90.20	90.09

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	90.60	90.63	90.54	90.49
March	90.26	90.36	90.23	90.13
June	89.82	89.92	89.79	89.68
Sept	89.41	89.51	89.38	89.26
Dec	89.03	89.13	89.02	88.88
March	88.69	88.76	88.69	88.53
June	88.37	88.41	88.30	88.20
Sept	88.05	88.07	88.06	87.88

STERLING (IMM) Se per £

	Close	High	Low	Prev
Dec	1.2125	1.2240	1.2110	1.2305
March	1.2115	1.2240	1.2110	1.2310
June	1.2135	1.2255	1.2140	1.2335
Sept	1.2135	—	1.2170	1.2350
Dec	1.2145	—	—	1.2380

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	69-18	69-25	69-12	69-06
March	68-28	69-03	68-22	68-15
June	68-12	68-14	68-05	67-31
Sept	67-31	68-06	67-30	67-18
Dec	67-18	67-21	67-18	67-05
March	—	—	—	—
June	66-27	67-04	66-27	66-14

WEEKLY CHANGE IN WORLD INTEREST RATES

	Nov. 23	change
LONDON		
Base rates	9½-9¾	-½
7 day Interbank	9¼	-⅛
3mth Interbank	9⅝	-⅛
Treasury Bill Tender	9.0065	-0.0373
Band 1 Bills	9½	-⅛
Band 2 Bills	9½	-⅛
Band 3 Bills	9¼	-⅛
3 Mth. Treasury Bills	9⅛	-⅛
1 Mth. Bank Bills	9¾	-⅛
3 Mth. Bank Bills	9¼	-⅛
TOKYO		
One month Bills	6.46875	+0.125
Three month Bills	6.34375	-0.0625
BRUSSELS		
One month	10⅛	Unch'd
Three month	10⅛	-⅛
AMSTERDAM		
One month	5⅝	-⅛
Three month	5⅝	-⅛
NEW YORK		
Prime rates	11¾	Unch'd
Federal funds	8¾	-⅓
3 Mth. Treasury Bills	8.36	-0.19
6 Mth. Treasury Bills	8.38	-0.42
3 Mth. C D	8.95	-0.40
FRANKFURT		
Lombard	5.50	Unch'd
One Mth. Interbank	5.475	-0.175
Three month	5.775	-0.175
PARIS		
Intervention Rate	11	Unch'd
One Mth. Interbank	10⅞	-⅛
Three month	10⅝	+1/16
MILAN		
One month	17½	+⅛
Three month	17⅞	Unch'd
DUBLIN		
One month	14¼	+½
Three month	14⅞	+⅝

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 9¼.

FOREIGN EXCHANGES

Dollar basks in the bad news

BY COLIN MILLHAM

Markets can be very perverse. All the news suggested a sharp weakening of the dollar, but it closed on Friday at the highest level so far this month.

On Monday the German Bundesbank intervened several times to prevent the U.S. currency rising too sharply. The central bank's dollar sales were not on a large scale, but seemed intended to keep the market nervous about the Bundesbank's intentions. This failed, and it appears the German authorities are not prepared to spend large sums in defending the D-mark at present.

On the following day the dollar moved back above DM 3.00, despite a very disappointing U.S. Gross National Product rise in the third quarter. An earlier estimate forecast growth of 2.7 per cent, and the market was expecting a revised figure of around 2.3 per cent, but not one as low as the published 1.9 per cent.

The Reagan Administration also forecast that growth in the fourth quarter is unlikely to be any better, confirming a marked slowdown in economic activity.

Possibly a fall of 4.1 per cent in October durable goods orders announced on Wednesday would make the market change its mind. But no, it did not. The dollar just went on gaining ground.

Then surely the cut in the Federal Reserve's discount rate, and the absence of U.S. dealers, on holiday for Thanksgiving Day, on Thursday would enable the Bundesbank to push the dollar back down in a thin market. The German central bank did sell dollars, but after an initial reaction the U.S. currency finished at its highest level of the day.

On Friday trading remained thin, and it was still expected that the dollar might prove vulnerable above DM 3.00, but it remained very firm, gaining over 6 pfennigs on the week.

Reasons behind the dollar's resilience appear to be: expectations that other countries will follow the U.S. in cutting interest rates; that the Budget deficit, which is expected to be over $200bn this financial year, will limit any further decline in U.S. rates; and that the reduction in the discount rate has produced a rally on the U.S. bond and equity markets, creating foreign demand for the dollar.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Nov 23	Previous
8.30 am	75.0	75.5
9.00 am	74.9	75.3
10.00 am	74.9	75.2
11.00 am	75.0	75.3
Noon	74.9	75.2
1.00 pm	74.9	75.2
2.00 pm	75.0	75.2
3.00 pm	74.8	74.9
4.00 pm	74.9	75.1

£ in New York

	November 23	Prev. close
£ Spot	$1.2110-1.2150	$1.2340-1.2350
1 month	0.10-0.06pm	0.08-0.06 pm
3 months	0.13-0.10 pm	0.07-0.04 pm
12 months	0.30-0.30 dis	0.66-0.75 dis

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Nov 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2160-1.2270	1.2185-1.2195	0.10-0.07c pm	0.84	0.12-0.07 pm	0.31
Canada	1.6055-1.6135	1.6055-1.6065	0.13-0.22c dis	−1.31	0.36-0.50dis	−1.07
Nethlnd.	4.14¼-4.17	4.15½-4.16½	1½-1¼c pm	3.97	4-3¾ pm	3.67
Belgium	74.25-74.43	74.25-74.35	2-7c dis	−0.73	11-19 dis	−0.81
Denmark	13.28-13.33¼	13.32¼-13.33¼	2½-3ore dis	−2.42	7½-8 dis	−2.31
Ireland	1.1869-1.1912	1.1891-1.1905	0.36-0.52p dis	−4.44	1.22-1.48dis	−4.50
W. Ger.	3.68-3.70¼	3.69½-3.70½	1½-1¼pf pm	4.46	3¾-3½ pm	3.79
Portugal	197.50-199.60	197.70-198.20	200-635c dis	−25.31	595-1770dis	−23.89
Spain	206.75-207.20	206.75-206.95	50-60c dis	−3.19	155-175 dis	−3.19
Italy	2,274½-2,292½	2,280-2,281	8-11 lire dis	−5.00	29-33 dis	−5.44
Norway	10.70½-10.74	10.70¾-10.71¾	2¾-3¾ore dis	−3.43	9½-10¾ dis	−3.68
France	11.28-11.32½	11.30¼-11.31¼	½-1½c dis	−0.86	4¼-5½ dis	−1.77
Sweden	10.54-10.57½	10.55¼-10.56¼	2-2¾ore dis	−2.49	6-6¾ dis	−2.41
Japan	298-299½	298½-299½	0.88-0.78y pm	3.33	2.48-2.32 pm	3.21
Austria	25.86-26.02	25.97-26.02	5¼-4¼gro pm	2.22	15¾-11⅞ pm	2.08
Switz	3.04-3.06	3.04½-3.05½	1½-1¼c pm	5.41	3½-3¼ pm	4.34

Belgian rate is for convertible francs. Financial franc 74.45-74.55.
Six-month forward dollar 0.20-0.15c pm. 12-month 0.30-0.45c dis.

OTHER CURRENCIES

Nov. 23	£	$		£ Note Rates
Argentina Peso	169.59 169.89	136.90 139.02	Austria	25.75-26.05
Australia Dollar	1.4240 1.4260	1.1665-1.1670	Belgium	74.25-75.05
Brazil Cruzeiro	3,378.5-3,398.3	2,767-2,781	Denmark	13.25-13.39
Finland Markka	7.6982-7.7321	6.3080 6.3100	France	11.25-11.37
Greek Drachma	150.74 153.79	122.90-125.39	Germany	3.67-3.71
HongKong Dollar	9,5530 9,5565	7.8250-7.8280	Italy	2280-2315
Iran Rial	114.50*	91.85*	Japan	298 303
KuwaitDinar KD	0.36800 0.36850	0.30155-0.30185	Netherlands	4.14-4.18
Luxembourg Fr.	74.25-74.35	61.05 61.15	Norway	10.68-10.79
Malaysia Dollar	2.9360-2.9395	2.4050-2.4080	Portugal	202-217
New Zealand Dlr.	2.4870-2.4920	2.0360 2.0410	Spain	204-213½
Saudi Arab Riyal	4.3455 4.3505	3.5605 3.5615	Sweden	10.53-10.64
Singapore Dollar	2.6370-2.6430	2.1600-2.1650	Switzerland	3.03 3.06
Sth African Rand	2.1883-2.1969	1.7970-1.8020	United States	1.21⅛-1.25⅛
U.A.E. Dirham	4.4816-4.4865	3.6720-3.6750	Yugoslavia	270-297

* Selling rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.9177	+0.04	+0.31	±1.5428
Danish Krone	8.14104	8.04899	−1.13	−0.86	±1.6421
German D-Mark	2.24184	2.23000	−0.53	−0.26	±1.1463
French Franc	6.87456	6.83739	−0.54	−0.27	±1.3659
Dutch Guilder	2.52595	2.51480	−0.44	−0.17	±1.5165
Irish Punt	0.72569	0.717609	−1.11	−0.84	±1.6671
Italian Lira	1403.49	1383.36	−1.43	−1.43	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.2190	1.2182	1.2181	1.2173	1.2228
D-Mark	3.6975	3.6842	3.6624	3.6241	3.5605
French Franc	11.3125	11.3205	11.3591	11.4027	11.5307
Swiss Franc	3.0500	3.0383	3.0166	2.9797	2.9146
Japanese Yen	299.0	298.17	296.64	294.06	289.66

BANK OF ENGLAND TREASURY BILL TENDER

	Nov. 23	Nov. 16		Nov. 23	Nov. 16
Bills on offer	£100m	£100m	Top Accepted rate of discount	8.9858%	9.0438%
Total of applications	£313.125m	£521m	Average rate of discount	9.0065%	9.0438%
Total allocated	£100m	£100m	Average yield	9.31%	9.35%
Minimum accepted bid	£97.75	£97.745	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	31%	100%			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Nov 23	Day's spread	Close	One-month	% p.a.	Three months	% p.a.
UK†	1.2160-1.2270	1.2185-1.2195	0.10-0.07c pm	0.84	0.12-0.07 pm	0.31
Ireland†	1.0260-1.0330	1.0260-1.0270	0.48-0.43c pm	5.30	1.30-1.18 pm	4.82
Canada	1.3173-1.3190	1.3180-1.3190	0.22-0.25c dis	−2.14	0.43-0.48dis	−1.38
Nethlnd.	3.3805-3.4200	3.4190-3.4200	0.93-0.90c pm	3.22	2.88-2.85 pm	3.36
Belgium	60.50-61.15	61.05-61.15	7½-8c dis	−1.63	16-19 dis	−1.15
Denmark	10.85½-10.94½	10.94-10.94½	2½-2¾ore dis	−2.75	5¼-5½ dis	−2.02
W. Ger.	3.0000-3.0355	3.0285-3.0295	0.90-0.85pf pm	3.48	2.73-2.68 pm	3.58
Portugal	162-163	162-163	175-525c dis	−25.85	500-1460dis	−24.00
Spain	168.99-170.10	169.65-169.85	45-55c dis	−3.54	135-150 dis	−3.36
Italy	1,867½-1,880	1,879-1,880	9.10-9.60lire dis	−5.99	26.25-27dis	−5.71
Norway	8.76½-8.79¾	8.79¼-8.79¾	2.85-3.35ore dis	−4.23	8.10-8.60dis	−3.80
France	8.21-9.29½	9.29-9.29½	1.25-1.40c dis	−1.72	4.40-4.80dis	−1.99
Sweden	8.62½-8.67	8.66½-8.67	2.05-2.55ore dis	−3.19	5.55-6.05dis	−2.68
Japan	243.35-245.40	245.15-245.25	0.54-0.50y pm	2.55	1.80-1.75 pm	2.90
Austria	21.11-21.30	21.26-21.30	2.80-2.30gro pm	1.44	10.75-9.75 pm	1.84
Switz.	2.4880-2.5050	2.5005-2.5015	0.93-0.87c pm	4.33	2.55-2.49 pm	4.04

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 74 45-74.55.

CURRENCY MOVEMENTS

Nov 23	Bank of England Index	Morgan Guaranty Changes%
Sterling	74.9	−18.6
U.S. dollar	140.8	+27.6
Canadian dollar	89.9	−5.4
Austrian schilling	111.5	+3.5
Belgian franc	88.9	−10.4
Danish Kroner	76.7	−5.5
Deutsche mark	121.6	+6.4
Swiss franc	141.0	+9.8
Guilder	111.6	+3.2
French franc	64.3	−16.2
Lira	46.8	−14.0
Yen	157.0	+12.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Nov. 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.811743	0.603825
U.S. $	8½	1.00159	0.738778
Canadian $	10.78	*	0.974079
Austria Sch.	4½	21.0435	15.6681
Belgian Fr.	11	60.4919	44.9177
Danish Kr.	7	10.8483	8.04899
Dmark	4½	2.99455	2.23000
Guilder	5	3.38571	2.51480
French Fr.	9½	9.20253	6.83739
Lira	16½	1866.70	1383.36
Yen	5	243.811	180.705
Norwgn Kr.	8	8.74128	6.48932
Spanish Pta.	½	168.474	125.283
Swedish Kr.	9	8.61003	6.38858
Swiss Fr.	4	2.48269	1.84414
Greek Dr'ch	20½	124.555	91.8525
Irish Punt	12¾	0.965950	0.717609

* C$/SDR rate for Nov 22: 1.31566.

EXCHANGE CROSS RATES

Nov. 23	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Fran
Pound Sterling	1.	1.219	3.698	299.0	11.31	3.060	4.160	2281.	1.606	74.30
U.S. Dollar	0.820	1.	3.029	245.2	9.293	2.501	3.420	1880.	1.317	61.10
Deutchemark	0.270	0.330	1.	80.87	3.059	0.825	1.125	616.8	0.434	20.09
Japanese Yen 1,000	3.344	4.077	12.37	1000.	37.83	10.20	13.91	7627.	5.371	248.5
French Franc 10	0.884	1.078	3.269	264.5	10.	2.696	3.677	2016.	1.420	65.68
Swiss Franc	0.328	0.400	1.212	98.03	3.709	1.	1.374	747.7	0.527	24.36
Dutch Guilder	0.240	0.293	0.889	71.88	2.719	0.733	1.	548.2	0.386	17.86
Italian Lira 1,000	0.439	0.535	1.621	131.1	4.961	1.337	1.824	1000.	0.704	32.58
Canadian Dollar	0.623	0.759	2.302	186.2	7.044	1.899	2.590	1420.	1.	46.26
Belgian Franc 100	1.346	1.641	4.976	402.4	15.23	4.105	5.599	3069.	2.162	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Nov. 23	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	9 9¼	8⅝-8⅞	11¼-11½	5 7/16-5 11/16	⅞-1⅛	5¼ 5⅜	10¾-10⅞	14½-15½	11½-12	10¾ 11	6⅛ 6⅜	12-12½
7 days' notice	9½ 9⅝	8¾-8⅞	11¼-11½	5⅝-5⅞	11¾-12	5 3/16-5 7/16	10¾-10⅞	14 15	10⅝-11¼	10¾-11	6 3/16 6¼	12-12½
Month	9⅝ 9¾	8 13/16 8 15/16	10 13/16-11	5⅝-5¾	4⅜ 4 7/16	5 5/16 5 9/16	10¾-10⅞	14⅝-15⅛	10⅜ 10⅞	10⅝ 10¾	6⅜-6 9/16	12-12½
Three months	9 9/16 9 11/16	9 1/16 9 3/16	10 9/16-10¾	5⅞ 6	5 5/16-5 9/16	5⅝-5¾	11¼-11⅝	14¾-15¼	10¼-10¾	10½ 10⅝	6⅜-6 9/16	11¾-12¼
Six months	9 11/16 9 13/16	9½ 9⅝	10 11/16-10⅞	6 6⅛	5-5⅛	5 9/16 5 11/16	11⅛-11⅝	14⅞-15¼	10¼ 10¾	10½-10⅝	6⅜-6 9/16	11¾-12¼
One year	9⅞ 10	10 1/16 10 3/16	10 13/16-11	6 1/16 6 3/16	5-5⅛	5¾ 5⅞	12 3/16-12 11/16	15¼-15¾	10½-11	10½-10¾	6⅜-6 9/16	11¼-11¾

Asian $ (closing rates in Singapore): Short-term 8 11/16-8 13/16 per cent; seven days 8⅞-9 per cent; one month 9-9⅛ per cent; three months 9 5/16-9 7/16 per cent; six months 9½-9⅝ per cent; one year 10⅛-10¼ per cent. Long-term Eurodollars: two years 11¼-11½ per cent; three years 11⅝-11⅞ per cent; four years 11¾-12 per cent; five years 12-12¼ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Federal Reserve rides to the rescue

There have been three cuts in clearing bank base rates during November, and the discount houses proved correct in their belief that the 9½ per cent level was attainable from the time rates fell to 10 per cent on November 7. The British Telecom share issue encouraged thoughts along this line, since it was assumed the authorities would wish to do all in their power to ensure a successful result for the sale.

Against this background the houses proved reluctant sellers of bills outright to the Bank of England to relieve day-to-day credit shortages, preferring to take assistance in the form of repurchase agreements on bills and wait for more favourable dealing rates before parting with paper permanently.

This situation existed for about two weeks, and the houses were not shaken in their view that lower rates were still in the offing when Barclays Bank cut its base rate to 9½ per cent at the beginning of last week.

Traders in other financial markets were not as confident however, and their doubts were based on the surprisingly resilient dollar, which was steadily depressing sterling on the foreign exchanges, and the weakening of spot oil prices on the European market. This created uncertainty on the financial futures market in sterling denominated interest rate contracts, but there was never any time for this to really undermine confidence on the cash money market.

The Federal Reserve suddenly took over the role of the U.S. Cavalry riding to the rescue and, just when there were one or two fears creeping in about missed opportunities, announced a cut in its discount rate by ½ percentage point to 8½ per cent after the close of New York and Chicago trading on Wednesday.

National Westminster Bank was the first clearer to reduce base rates to 9½ per cent on Thursday morning, followed by Lloyds and Midland.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

MONEY RATES

Nov. 23	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.40-5.55	11	1⅜-1⅝	5½-5⅝	6.15625	16⅞-17¼	12.00	13¾-14
One month	5.75-5.90	10 11/16-10 13/16	4 5/16 4 7/16	5 9/16-5 11/16	6.46875	17-17⅛	10⅝-10⅞	14⅛ 14⅜
Two months	5.70-5.85	10⅝ 10¾	—	—	—	—	—	14¼-14½
Three months	5.70-5.85	10⅝ 10¾	5 5/16 5 7/16	5 9/16-5 11/16	6.34375	17⅛-17½	10½-10¾	14⅜-14⅝
Six months	5.80-5.95	10 9/16-10 11/16	—	5 13/16-6 1/16	—	—	10½ 10¾	14½-14¾
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11	—	5¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Nov. 23 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	5-10	8⅛-9⅛	7½-9¾	4 9⅝	—	—	—	—	—
2 days notice	—	—	9¼-9½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	8⅞ 9⅝	9¼-9½	9½-9¾	8¾-9½	—	—	—	—	—
One month	9 11/16-9 9/16	9 9/16-9 11/16	9 11/16	9⅞	9½	—	—	—	—	—
Two months	9 11/16-9 9/16	9 9/16-9¾	9⅝	10	9⅝	9⅝	9 11/16	9⅝	9 11/16	10
Three months	9 9/16-9 7/16	9 11/16-9 9/16	9¾	10	9¼	9¼	9 5/16	9¼	9 5/16	9⅞
Six months	9 11/16-9 9/16	9½-9 11/16	9¾	—	—	9 1/16	9 11/16-9	9⅛	9 3/16	9 9/16
Nine months	9 9/16-9 11/16	9¾-9	—	—	—	—	—	9 1/16	9 1/16-9⅛	9 11/16
One year	9 11/16-9 13/16	9⅞-10	9 11/16	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	10⅝-10	—	9⅝	8.8-8.8	8⅛-8⅝	9¼ 9 7/16
Two months	10 ½ 10⅛	—	9¾	8.95 8.05	8⅜-8⅝	9⅜ 9 7/16
Three months	10½ 10⅛	—	9¾	9.05-9.15	8 7/16-8 11/16	9⅜-9 9/16
Six months	10.9⅝	—	9¾	9.4-9.5	8 9/16-8 13/16	9 7/16-9¾
Nine months	10⅛-9⅞	—	9⅞	9.5 9.7	—	—
One year	10⅛ 9¾	—	10 1/16	9.8-10.0	9.9¼	9 11/16 10
Two years	—	10⅜	—	—	—	—
Three years	—	10⅝	—	—	—	—
Four years	—	10¾	—	—	—	—
Five years	—	10⅞	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period October 3 to November 6 1984 (inclusive): 10.616 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 11 per cent from November 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice 6-6¼ per cent. Treasury Bills: Average tender rates of discount 9.0065 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¼ per cent; one-three months 10 per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10 per cent; Under £100,000 9¾ per cent from November 7. Deposits held under Series 5 10¾ per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. November 23)
3 months U.S. dollars

bid 9 1/4	offer 9 3/8

6 months U.S. dollars

bid 9 5/16	offer 9 11/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	11¾
Broker loan rate	10¼-10¾
Fed funds	8 13/16
Fed funds at intervention	(—)

Treasury Bills

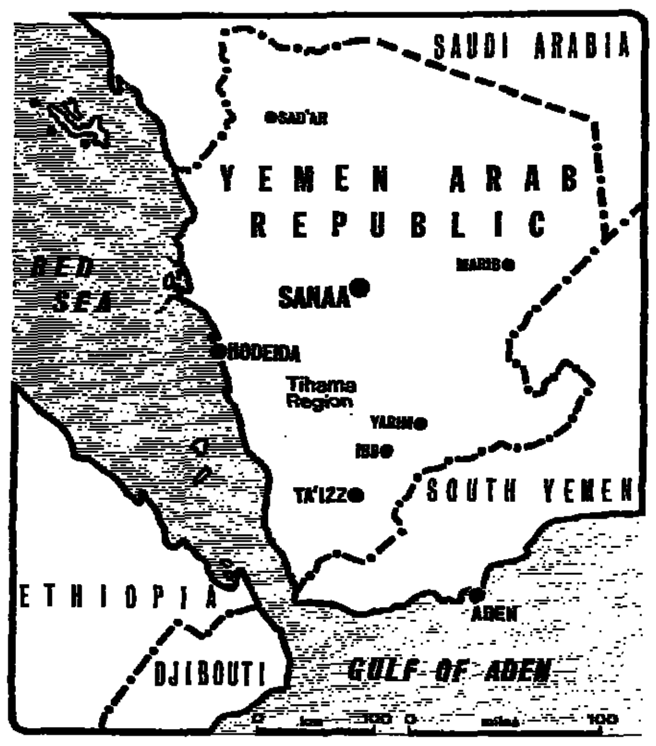
One month	7.20
Two month	8.30
Three month	8.42
Six month	8.41
One year	8.63

Treasury Bonds

Two year	100 6/32
Three year	101⅛
Four year	101 12/32
Five year	106⅝
Seven year	105 7/32
10 year	102 7/32
30 year	103 17/32

YEMEN ARAB REPUBLIC

The discovery of oil is expected to bring the two Yemens closer. North Yemen's President Ali Salih will have to tread cautiously, however, to reconcile conflicting interests



In the souk of Sana'a, capital of North Yemen, where the old and the new traditions of dress and trading mingle

CONTENTS

Education starts to blur the tribal mentality

"I THINK that Yemen has crossed a threshold in the past four or five years," a well-informed member of the Western community in Sana'a remarked recently.

By Michael Field

"During the civil war of the 1960s and most of the 1970s one could say that the tribes could bring down the central government if they wanted. Now I just can't seen an organised tribal force marching on Sana'a—not unless the Government did something incredibly stupid. On the other hand we haven't reached the stage yet where the government can pacify the tribes."

As the comments suggest, Yemen remains divided into a patchwork of tribes and communities.

The south of the country, which begins at the town of Yarim, has a settled population not organised on tribal lines and following the Shafi interpretation of the orthodox Sunni branch of Islam. The people in this mountainous but fairly green countryside are farmers, mostly working on large estates, and traders.

If one includes in the group the farmers of the Tihama coast, who are orthodox Muslims of African origin, the Shafis/southerners make up rather more than half of the population.

The northern part of Yemen, which is slightly flatter but drier, has a tribal population, part Bedouin but mostly settled on smallholdings. The people here are Zaidis, members of a mild, unmystical sect in the unorthodox Shia branch of Islam.

Traditionally the Zaidi tribes have made the Government in Sanaa—President Ali Abdullah Salih is a tribesman—and the Government has then extended its authority over the people of the south and west. Yet the tribes themselves, having provided the ruler, have never considered themselves to be under his authority.

The tribes have a deserved reputation for being violent.

The tribes' strength was increased by the tide of money and guns that flowed to them during the civil war, from both the republican and royalist sides. (Whatever Westerners might assume, tribesman are not necessarily politically conservative—their loyalties are buyable.)

In spite of all the obvious, visible differences, however, the divisions in Yemeni society are beginning to blur. Among the better educated young, ideology is probably more important than regional conciousness. The government apparatus, which used to be purely Zaidi, is now staffed at least half by Shafis.

The technocrat ministers are southerners, though the men with power are from the tribes. Their positions in their tribes have got them into the Government, and, conversely, they use their government posts and the incomes they receive from the state and Saudi Arabia, which pays stipends to tribal leaders, to further the interests of their tribes.

As Yemen has become richer, since the oil boom began in Saudi Arabia and $1bn a year started to flow from Yemeni workers in the Kingdom, the tribal leaders have started to become more bourgeois or southern in their outlook. At the same time, and particularly under President Ali Salih, the army has greatly increased in strength and is now at least a deterrent to tribal lawlessness.

The more harmonious relations between the communities within Yemen have been matched recently by better relations between the two Yemeni states, the Yemen Arab Republic (North Yemen) and the People's Democratic Republic of Yemen (Southern Yemen).

Defeated

Twice in the 1970s, in 1972 and 1979, the two countries were dragged into war through harbouring each others' exiled opposition groups.

On the second occasion the fighting was caused by the National Democratic Front, an unholy alliance of disaffected Sana'a politicians, of mainly left-wing views, and minor tribal elements, who obtained the backing of Southern Yemen and raised a revolt. The small war was stopped by the intervention of the Arab League in March 1979.

As part of the peace agreement the NDF was promised posts in the Government, but it was never given any because of resistance to the idea by pro-Saudi northern tribes. When the NDF forces rebelled again they were defeated. Their strongholds in the south of the country were overrun in early-1982 and their guerrillas were forced to flee across the border, where they remain in a semi-organised state.

At the time of its defeat the NDF was given a further promise of elections in North Yemen in 1983 or 1984, but its political influence has waned so much since that the idea seems to have been forgotten.

The end of the fighting in both 1979 and 1982 was accompanied by agreements on unity between the two Yemens. The first was more a matter of high-flown rhetoric than practical politics, but the second was a sensible lower key affair.

Since 1982 the two presidents have stopped talking of total unity but have begun to meet regularly. They have established a Supreme Yemen Council and begun serious co-operation.

Unity remains an ideal—most of the. people of Southern Yemen are of the same stock and religion as the southerners in North Yemen — but the barriers in the way of its achievement are formidable.

In the last two decades the two countries have put too great an investment into their different foreign policies, are beholden to different foreign powers and have different ideologies.

North Yemen is basically a free enterprise state, Southern Yemen is the only genuinely Communist state in the Arab world—though it is not now as radical as it was a few years ago.

The continued harmony of the two states depends very much on the two presidents remaining in power. Ali Abdullah Salih and Ali Nasser Mohammed get on well together and have similar approaches to politics. But there are hardliners in both their countries who feel that their co-operation is too close.

What might bring the two Yemens closer together—provided the regimes remain the same—is oil.

Oil has recently been discovered in almost certainly commercial quantities in the eastern part of North Yemen, close to the Saudi and Southern Yemeni borders. There has also been a smaller strike across the frontier, and it seems probable that the two Yemens share a large oil bearing structure, if not the same field.

Given both countries' acute need for money it is thought in Sana'a that it will not be too difficult for them to agree a division of the structure.

If Northern and Southern Yemen become oil producers, which cannot happen within four years, given the newness of the discovery and the remote position of the field, their economies will be revolutionised. The Sana'a Government will cease to be totally dependent on grant aid and the remittances of its workers in Saudi Arabia.

More independent

The two governments will also be able to be more independent from the backers which have kept them apart in the past.

It is assumed that Aden would move away from the Soviet Union, which supports its economy but has become less popular than it used to be through its inefficiency in executing development projects—including drilling for oil.

Sana'a at the same time would be liberated from Saudi Arabia, which is by far the biggest direct and indirect source of its income. It would also, like Southern Yemen, be able to loosen its links with the Soviet Union.

It is not nearly as close to Russia as Southern Yemen is, but it still does more business with the country than it would like to do because it does not have the hard currency to buy all it would like from the West.

The recent Soviet-Yemeni Friendship Treaty, signed in September and quite widely publicised in the West, is played down in Sana'a.

It is thought that the treaty is most important as an indication of North Yemen's desire to maintain Russia's goodwill towards it, as well as Southern Yemen, at a time when the countries are working together. When the Yemens have just discovered oil and are likely to reduce their links with Russia they do not want to be played off against each other.

Yemen Arab Republic 2

High rate of spending faces controls

Economy

ONE EXTRAORDINARY phenomenon dominates the whole Yemeni economy: roughly half of the working population lives in Saudi Arabia.

The calculation is simple. Out of a total population of about 8m one assumes that half are men, and that half of the males are of working age—giving a labour force of 2m. It is normally estimated that the number of Yemenis in Saudi Arabia is 1m, which leaves the same number to tend the farms and trade at home.

This strange fact has several consequences. One is that Yemen imports labour, to do much the same jobs that immigrant labour does in the rich Gulf states. There are perhaps 70,000 foreign nationals in Yemen. They include 20,000 Egyptian teachers, perhaps 1,000 Filipino and Pakistani hotel staff, an estimated 3,000 Westerners and northern Arab employees in the civil service, 3,000 mainland Chinese building roads, and 1,000 Koreans doing more complex engineering jobs.

Another consequence of the emigration is that Yemen is a much richer country than the figures show. Officially the per capita income is $500, which puts Yemen among the poorest countries in the world. In reality, according to the best estimates, Yemenis have an average income of $1,500, the extra $1,000 being made up by remittances.

While the Government has been able to build only a rather rudimentary infrastructure, the country is awash with consumer goods. Shops are piled with electronic products and scents, in just the way that they are in the Gulf. Sales of scent along the main streets of Sanaa, peopled by qat chewing tribesmen with daggers in their belts, must eclipse sales of scent in the Bond Street area.

Yemeni imports, of nearly $3bn (including smuggled goods), amount to 300 times exports. In effect they are financed entirely by remittances and aid reciepts.

The development of Yemen's economy along these extraordinary lines — and the recent boom-stop cycle in government spending — began in 1976. That was the year when the country first felt the effect of its labour's emigation to Saudi Arabia.

Remittances rose immediately to several hundred million dollars and in 1977 reached $1.4bn, covering imports one and a half times. Simultaneously the country's official reserves increased. From $240m in 1975 they grew to $1,540m in 1979, which still stands as the peak year.

The great inflow of money had two effects. It encouraged imports, which multiplied five times between 1974 and 1979, and prompted the Government to begin serious spending on development. By 1981 the state's budget was seven times the level it had been in 1975-76.

Unfortunately the flood of remittances did not continue to rise. In 1979 remittances were exceeded by imports. Then at the beginning of the 1980s they began to fall as demand for unskilled Yemeni labour in Saudi Arabia declined. In 1981 remittances to Yemen were worth only $0.9bn.

In the last three years (1982-1984) they have picked up to an annual rate of $1.2-1.3bn, as large numbers of Yemenis have returned from Saudi Arabia for good, bringing end-of-stay lump sums with them.

For three years, from 1980 to 1982, the Government lived off the savings accumulated in the late 1970s and allowed itself to run increasingly large budget deficits. By the beginning of 1983, however, official reserves had dropped to $560m, about four months' imports. At the same time, thanks to the oil glut, there was a fall in grant aid, given mostly by other Arab countries to support the budget, from $440m in 1982 to $160m in 1983.

Equally serious were the special demands on the treasury imposed by the disastrous Dhamar earthquake of 1982. It became clear that the expansion of spending, which had become the Government's habit, would have to be checked.

In the spring of 1983 the Government introduced an austerity programme. This involved an increase in tariffs, spending cuts in the budget, delays in the issue of import licences and various other import controls — including the prohibition of the import of fresh fruit.

It also stopped supplying foreign currency to the commercial banks on demand, forcing them to turn to the market or the souk, with the results described in the accompanying article on foreign exchange availability. In effect it was trying to draw into the banking system the 40 per cent odd of remittance money that was staying under mattresses (literally) as cash, and so make it available to finance imports.

The Government's policies have met with mediocre results. The decline in the country's fortunes has been halted but there have been few signs of a revival.

In 1983 documented imports—imports monitored by the authorities — fell by about 8 per cent to $1.8bn, though smuggled imports are thought to have grown by nearly half. The current account deficit fell by 7 per cent.

A very rounded unofficial summary of the Yemeni balance of payments in 1983 would be as follows:

Outflow	$bn
Officially monitored imports, half of which are goods remitted from Saudi Arabia and paid for in the Kingdom	1.8
Goods smuggled	1.0
Capital transfers	0.2
Total outflow	3.0
Inflow	
Remittances	1.3
Payments in Saudi riyals in Saudi Arabia for goods remitted	0.9
Aid grants (50% Saudi Arabian Government)	0.2
Aid loans and private capital	0.2
Total inflow	2.6
Balance of payments deficit	0.4

This balance of payments deficit was financed half by a drawdown of reserves and half by mattress money which pays for part of the smuggled goods.

According to the probably optimistic official figures, the balance of payments has moved into a $50m surplus in the first half of 1984. Reserves at the end of June were $340m—enough for 2½ months' imports. The figures show a reduction of nearly a quarter in official imports, though they do not show the continued increase in smuggling.

Remittances in the official figures have continued to run at an annual rate of $1.2/$1.3bn, though in the next two years, if the return of workers from Saudi Arabia and the big one-off transfers stop, they are expected to fall.

The effect of the "austerity" measures on the Government's accounts was, again, beneficial but did not radically alter the situation. The budget deficit in 1983 remained more or less static at $740m. The fact that this happened at a time of falling foreign grant revenues resulted from a dramatic improvement in the collection of local taxes, which was no small achievement.

On the spending side, what minor economies were achieved in 1983, and may be achieved in 1984, were at the expense of capital projects. In 1984 allocations for new investments have been halved, while current spending, mostly on salaries, has continued to climb. Defence spending has had its rate of increase cut.

Foreign bankers accuse the state of making no serious attempt to reduce its spending, but members of the Government argue that in a country such as Yemen it is just not possible to cut wages or reduce the numbers on the state payroll.

In 1984 it is thought that the budget deficit will be over $500m, equal to at least 30 per cent of expenditure. All of this deficit, like the deficits of 1982 and 1983, will be financed by the Government printing money; there are no such things as treasury bills in Yemen. This government policy has led to the money supply increasing by 30 per cent per annum in the past two years.

In theory the rate of inflation should now have reached near this figure, but in practice it has lagged well behind. In 1981 and 1982 there was virtually no inflation; in 1983 the rate rose to about 10 per cent and in 1984 it is thought to be between 15 and 20 per cent. The fact that it is not higher probably stems from the increase in the supply of goods brought about by smuggling.

In the foreseeable future the Government's policies will probably stay the same. The Government will control its high rate of spending, which is the cause of all the country's financial problems, but not radically cut it.

Capital spending will continue to bear the brunt of the economies, though it is claimed officially that this will not be damaging to society because after the spending boom of the late 1970s and early 1980s the economy has reached a point of project saturation. It has too many schools and clinics for its teachers and doctors; its roads are deteriorating because it does not have maintenance crews.

If the Government wanted desperately to increase its spending and/or stop printing money it could borrow commercially on the Euro-markets, but it seems not to be considering this.

Oil has been discovered in the east of the country, and it is beginning to look as if Yemen will eventually become a significant exporter, of several hundred thousand barrels a day. However, for the time being the capacity of the field is uncertain, and anyway given its position it will be four or five years before exports begin.

It seems that the Government wants to keep Yemen classified as a least developed country for as long as possible, in order to maximise its aid receipts. It is also anxious not to stimulate a premature boom which will cause the return of large numbers of its citizens from Saudi Arabia. It does much to play down the importance of the oil find.

In two or three years' time, however, the Government may choose to begin a gradual acceleration of its spending, and that may be the time when it will resort to the Euro-markets. If the present excited mood of the population is anything to go by, its people by then will be demanding some of the benefits of life in an oil state.

Michael Field

Balance of Payments

(US$m)

	1982	1983
Exports	4.7	9.6
Imports fob	−1,925.6	−1,771.4
Trade balance	−1,920.9	−1,761.8
Services (net)	−36.9	−47.7
Private transfers (net)	911.4	1,088.8
Inward remittances	(1,174.9)	(1,227.6)
Outward remittances	(−263.5)	(−138.8)
Official transfers	439.1	160.3
Current account balance	−607.4	−560.3
Direct investment	1.7	5.4
Long term capital	208.3	220.4
Short term capital	3.0	65.4
Errors and omissions	45.5	63.2
Overall balance	−348.8	−205.8
Change in net international reserves	348.8	205.8
Memo items:		
Gross official reserves	554.2	366.0
Import coverage (months)	3.5	3.5
Exchange rate US$1=YR	4.5625	4.5625

Summary of public finances

(Yemen riyals m)

	1976-77	1978-79	1982	1983	First half 1984
Revenues and grants	1,716.4	3,525.3	5,455.6	5,562.6	2,667.7
Revenues	1,299.5	2,174.7	3,451.6	4,816.0	n.a.†
Grants	417.9	1,350.6	2,004.0	746.6	n.a.†
Expenditure	1,444.4	4,464.9	9,119.3	9,276.3	4,434.6
Current expenditure	841.0	1,847.2	5,936.8	7,269.5	n.a.†
Capital expenditure	603.4	2,617.7	3,182.5	2,007.4	n.a.†
Overall surplus or deficit (−)	272.0	−939.6	−3,663.7	−3,714.3	−1,766.9
Financing of overall surplus or deficit	−272.0	939.6	3,663.7	3,714.3	n.a.†
External financing (net)	188.2	553.8	844.9	900.4	n.a.†
Domestic bank financing (net)	−532.1	380.7	4,415.1	3,799.0	n.a.†
Statistical adjustment	71.9	5.1	−1,596.3	−985.1	n.a.†

† Not available.

Coping with foreign exchange restrictions

WHEN YEMEN'S foreign exchange shortage became acute in the spring of 1983 the Government decided to try to mobilise the considerable reserves of dollars, believed to be 40 per cent of total remittances from Saudi Arabia, that are hoarded by its citizens. It abandoned its longstanding policy of supplying foreign exchange to banks on demand, and announced that in future it would only make dollars available when they were needed for what it considered important government purchases.

At about the same time it instructed the partly state-owned Yemen Bank for Reconstruction and Development (YBRD), by far the biggest bank in the country, to take most of the role of financing government imports from the central bank.

The restriction on the supply of foreign exchange forced the banks to turn to the money exchangers and the souk and obtain dollars by bidding up the rate. They either did this themselves, or, when they were asked to open letters of credit, told their merchant clients to go to the souk first and find their own foreign exchange.

Immediately a 10 per cent discrepancy between the longstanding official rate ($1=YR4.5) and the free market rate appeared.

In August 1983 the banks were told that they should limit the premiums they paid, but the edict was widely ignored, especially by YBRD. The bank argued that it had special responsibilities to obtain foreign exchange for the Government and therefore could not be expected to abide by the same rules as other institutions. An incidental result of this independent line is that in the past year YBRD has expanded its share of banking business in Yemen from 50 to 60 per cent.

In the latter part of last year the parallel system worked reasonably well. It is estimated that it drew some $80m out of peoples' hoards. Those payments that were most important continued to be made; in a system in which foreign exchange was rationed by price, people were not willing to bid for finance for unimportant purchases.

In early 1984, however, it was realised that the Government's reserves had continued to fall, and so it was decided in February that the riyal should be devalued, by about 10 per cent to $1=YR5.

This measure has been followed by further devaluations, the most recent at the beginning of November, which have brought the official rate down to YR 5.85 and the free market rate to YR 6.30. It is expected that the official rate will hit YR 6 by the end of this year and YR 7.5 by the end of 1985.

With each of its devaluations the Government has been trying to bring its official rate into line with the market rate, and it is not entirely happy that the free rate has always stayed ahead of it. Its officials argue that the riyal rate is controlled partly by the souk markets in Saudi Arabia, and to try to limit this effect the Government has banned the import or export of sums of cash of more than $30,000. In practice this regulation has had little effect on the market.

From the European or American exporter's point of view the critical question is whether foreign exchange will continue to be available to enable Yemeni buyers to meet their obligations more or less on time.

Contractors and suppliers say that they have been paid slightly late, though because of the somewhat erratic system used to raise foreign exchange no average period of delay has emerged. When there have been delays in government's payments, which are also influenced by the state's shortage of revenues, the authorities concerned have normally found technical quibbles with the work done or goods supplied to give them a pretext for delay. (This is exactly what has been happening in Saudi Arabia).

Since late 1983 the Export Credits Guarantee Department in London has modified its claim conditions applying to Yemen, to reflect the slower rate of payment. There now has to be a longer delay before exporters can present a claim to the department.

Over the next 12 months it seems likely that the situation will continue as it is at present.

It should be noted that the shortage of foreign exchange is strictly a matter of lack of income, not of debt burden. In October 1984 Yemen had an external debt of only $2.5bn, virtually all of which was in the form of aid loans at concessionary rates. The biggest creditors were the USSR and China, with some 40 per cent of the total debt. The Russian portion of this was rescheduled when the Yemeni President visited Moscow in September.

PROFILE: President Ali Abdullah Salih

Tribal consultations aid survival

WHEN Ali Abdullah Salih came to power in June 1978 neither Yemenis nor foreigners in the country gave him much chance of surviving. He was elected to office, after the death of President Ahmed Ghashmi, by the country's constituent assembly, the appointed parliament established in 1977.

At the time he was deputy chief of staff, having risen rapidly through the ranks in the 1960s and '70s, and he seemed the most appropriate choice to the assembly members.

Ahmed Ghashmi was not the only one of Salih's predecessors to have had an unhappy end. The country's first president after the civil war of 1962-70, Abdul-Rahman Iryani, was deposed and went into exile in 1974. The next, Ibrahim Hamdi, was assassinated in October 1977.

Hamdi has since become an almost legendary figure in the minds of Yemenis. He was a brave man and an excellent orator. He drove his own car, liked talking to the people, and was not afraid to go to meet the tribal leaders in their own territories in the north and east of the country. Now one hears Yemenis say that he was the man who would have stood up to the Saudis and brought about unity with Southern Yemen.

He was killed probably because he really was becoming close to Southern Yemen, and was therefore offending the conservative northern tribes and their Saudi backers. At the time of the murder his assassins put it about that Hamdi was a drunkard and sybarite. To lend credence to these untruthful accusations they imported two French prostitutes and murdered them with him.

A more justified accusation would have been that power seemed to be going to Hamdi's head. He was beginning to take decisions without consulting other interests in the country.

Ahmed Ghashmi, who followed Hamdi, was not a popular figure. He was regarded as too pro-Saudi and was accused in the demonstrations that erupted in November 1977 of being Hamdi's assassin. He met his own death in June 1978 from a briefcase bomb carried by an envoy from Southern Yemen.

The exact nature of the plot on this occasion has never been explained. Unanswered questions concern the role of the briefcase carrier, who died in the blast, and the link with the deposition the next day of the Southern Yemeni president, who was duly executed.

With this blood-soaked background to his rule, it is not surprising that in his early days in power President Ali Salih wore a haunted look. He is still accompanied by a bodyguard of several hundred men recruited mainly from his own small tribe, the Sanhan, from south-east of Sanaa.

At the beginning, Yemenis say, Salih viewed his job as a soldier would—he decided his policies himself and gave orders. Now he has become a politician with a strong belief in rule through consultation. Instead of governing despotically from Sanaa, in the Yemeni tradition, in the fasting month of Ramadan he risks his neck by going into the provinces to meet the people.

In a different town or village each day he sits in a majlis (council chamber) in the afternoon and chews qat with varied groups of religious and tribal leaders, merchants and farmers. Although this year the majles were rather quiet—because life in Yemen is as stable now as it has been at any time in the past 20 years—in the past they have been fairly lively.

It is said that Salih is the first Yemeni president to have built himself a constituency which includes parts of all sections of the population, including the urban intelligentsia.

National charter

In a formal sense his consultative policies have involved the establishment of local development councils—village committees responsible for roads, clinics and water projects—and the people's general congress. This body, which was partly elected and partly appointed, is supposed to approve the president's national charter, or little blue book, which sums up his philosophy of government. It is like a mass political party, but officially is not one; the president says he believes in "no party government."

Much has been done to boost the president's popularity through a carefully organised cult of personality, which may be unnecessary. Salih seems to be genuinely quite popular, and certainly he has proved himself a strong, cunning character, with an instinct for survival.

He was recently described as being "a little short on charisma." He is a poor orator, which is a disadvantage for any Arab leader.

Despite his reasonable popularity, there have been many attempts at coups and/or assassinations since he came to power, the most recent of them in July.

One of the best-known stories circulating about the last occasion has the conspirators bringing guns into the president's majlis concealed in bundles of qat, which look exactly like polythene carrier bags full of privet hedge clippings. The president, however, had had word of their evil intentions and said to them when they arrived: "My friends, before we sit together and discuss I have something very important to say to you, so let us retire to a room and talk in secret . . ." The plotters went with the president, whereupon guards gathered up the qat and found the guns.

Whether or not the story is absolutely true it is a good example of a Sanaa political rumour and gives some idea of the tone of Yemeni politics.

President Ali Salih: surviving a blood-soaked background.

Notwithstanding the views of his subjects and the regular round of plotting (which is a feature of Arab society in general) it is quite possible that President Salih will survive for a long time. Yemen has become a somewhat more modern society in the past six years and the techniques of survival now seem to be well learnt by Arab heads of state.

Salih also has surrounded himself with men he trusts. There are many members of the Sanhan tribe in the government apparatus, particularly in the army, military intelligence, police and security forces and Ministry of the Interior.

There are not many ministers who are Sanhanis, however. Most ministers are technocrats and non-tribal southerners. Being a minister, or even prime minister, in Yemen and elsewhere in the Arab world does not in itself bring power; to be powerful a man must also have a constituency of supporters, tribal or otherwise.

One of the men with real power in Yemen is Ali Mohammad Salah, the deputy chief of staff, who would probably be the president's successor if a disaster were to overtake him tomorrow. Others are Mujahed Abu Shawareb, the deputy prime minister for internal affairs, who has wide support in the Hashed tribal confederation, and the president's brothers, whose posts include deputy minister of the interior, deputy commander of the airforce and the command of an armoured brigade.

Mohammad Abdullah Salih, who has been holding the job of deputy minister of the interior, is a religious man. He provides a potential focus for the loyalties of Yemeni fundamentalists and is regarded by some as a potential threat to his brother. Since July there has been some question as to his present status in the Ministry of the Interior.

Michael Field

Co-operative facade masks distrust

THERE IS no foreign country that is more important to the Government of Yemen, or causes it more anxiety, than Saudi Arabia. Likewise Yemen is of great concern to the Saudis. Diplomacy between Riyadh and Sanaa is supervised not by the Saudi Foreign Ministry but by Prince Sultan bin Abdul-Aziz, a full brother of King Fahd and Minister of Defence.

Outwardly one sees a state of co-operation between the neighbours, but behind the façade each distrusts the other.

The Saudis have three preoccupations. First, they have on their own territory a population of 1m Yemeni labourers, which is equivalent to about two-thirds of the adult male Saudi population. In recent years there has been no suggestion of the Yemenis being involved in subversion within the Kingdom, but their mere presence in such numbers, and their partial integration into society in the Hijaz and south-west, makes the Saudi authorities feel that they have to be watched.

More formally, there is the territorial issue of the three Saudi southern provinces, Jizan, Asir and Najran, parts of which were seized from the Imam of Yemen in the 1920s and 1930s. These territories were ceded to King Abdul-Aziz by the Treaty of Taif in 1934, but the Yemenis have never been reconciled to their loss.

Hostile reaction

When the Saudi Government in 1974 obliged the Yemeni prime minister to sign an agreement renewing the treaty, the reaction in Yemen was so hostile that it became politically impossible for the Sanaa government to ratify the signing.

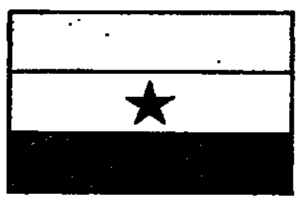
Lastly, the Saudis fear Yemen's political volatility, which is made important for them by the fact that the Yemeni population of some 8m is at least 1m bigger than their own indigenous population. One specific fear is that there might be a left wing coup d' état in Sanaa. Even more alarming is the thought of a union of the two Yemens, with a combined population of some 13m, under a left-wing government.

Saudi policies, therefore, are designed to keep Yemen friendly but at the same time dependent on Saudi Arabia. Likewise, Yemen is supposed to be strong enough to be able to resist the Communist influence of Southern Yemen, but not sufficiently independent to be able willingly to unite with its southern bretheren. As in many other areas of Saudi policies there are elements of contradiction here; the Kingdom often appears to be giving with one hand and taking away with the other.

The Saudis give Yemen large amounts of direct and indirect aid. They pay a stipend to the President, contribute several hundred million dollars to the Government's budget — which pleases the bureaucracy and the armed forces, and build or run schools, mosques and medical facilities, which it is hoped will win them the favour of the population as a whole.

On the other hand, the Saudis give subsidies worth $60-80m a year to the northern tribes, which can be used to keep the central government in check.

Inevitably the Saudis are much involved in Yemeni internal politics, mainly through the tribes. They are said to have been responsible for the removal (by one means or another) of several Yemeni leaders who have become too close to Southern Yemen—notably President Abdul-Rahman Iryani in 1974, the Prime Minister, Mohsin Aini, in 1975, and President Ibrahim Hamdi in 1977.



Relations with Saudi Arabia

The attitude of the Yemenis to their Saudi patrons is a mixture of resentment and outright hostility. One can hear people blame the Saudis for everything from the lack of rain to the failure of oil companies to discover oil on the Tihama coast.

Despite the animosity, in a day-to-day sense the ordinary Saudis and Yemenis of the border areas find themselves working together quite closely. Yemenis are allowed into the province of Najran without passports and are permitted to use the Najran hospital without paying, as well as buy specific quantities of subsidised Saudi food and petrol.

In practice, they buy and import vastly more than they are supposed to, though a large part of their purchases are made elsewhere in the Kingdom.

If they carry passports Yemenis can go wherever they like in Saudi Arabia. They do not need visas, they can change jobs without obtaining new residency permits *(iqamas)*, which makes them unique among expatriates.

Where the Yemenis of the northern tribes come most frequently into conflict with the governments of both countries is in their smuggling. This takes place on a massive scale.

Goods smuggled into Saudi Arabia are alcohol, arms (there is a big arms souk near Saada) and, a new line of business, wheat. The wheat, bought at a cif price of $160 a tonne at Hodeidah, can be sold at the Saudi Government's support price of $1,000 a tonne. Some of the grain being moved northwards now is food aid for Ethiopia and Somalia, which leaks out of the recipient countries through a corrupt bureaucracy.

Smuggled Yemeni imports cover the entire range of consumer goods, from fresh fruit to cars and petrol, and are worth nearly $1bn. Although the Yemeni Government no longer issues import licences for cars, one can buy almost any model one likes a few miles north of Sanaa in Amran (meaning prosperity).

Recently the Government has tried hard to stop the inbound smuggling, which comes across the edge of the Empty Quarter in the north-east of the country and is then dispersed through entrepots in the Marib area. Troops have been moved into this region. There have been serious gun-battles and incinerations of contraband.

The firm action seems to have had only a limited effect. Neither the Yemeni nor the Saudi Government can afford to take too effective action against the smugglers or they will forfeit their goodwill and leverage among the northern tribes.

It may have been a move related to the control of smuggling that sparked the Yemeni-Saudi border incidents at the end of last year and early this. Exactly what happened has never been explained officially, but it is thought that they began either when the Yemeni authorities pursued smugglers into Saudi territory, or when they tried to set up a border post in no-man's-land.

The fighting between the two armies left 80-200 killed or wounded—on the Saudi side mostly Pakistani mercenaries, according to the Yemenis. The matter was eventually resolved by contacts at the highest level, though Saudi attempts to persuade the Yemenis to agree at the same time to a final demarcation of their border were rebuffed.

In the frontier episode and in its relations with its southern neighbour, which are now at their best ever, the Yemeni Government recently has been standing up to the Saudis quite firmly. The difference, it is said in Sanaa, between the situation now and that in the 1970s, when contacts between the two Yemens were liable to prompt and over-close Saudi involvement in Sanaa politics, is that since 1978 Southern Yemen has become less radical.

The Aden regime has opened diplomatic relations with Oman, which it had been trying to subvert, and has solicited aid from the Gulf states. It is seen by the Saudis as less of a threat, and so President Ali Salih is being allowed to pursue the policy of balance between Saudi Arabia and Southern Yemen which is the most sensible for him domestically.

In four or five years it seems that the Saudis will have to reconcile themselves to a still more independent Yemeni stance. Oil will make the Yemeni Government independent of Saudi grants and may bring it into closer co-operation with Southern Yemen.

Nervous

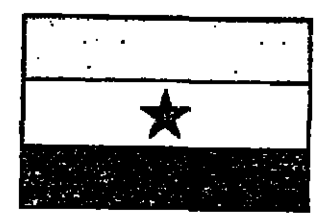
The Saudis in their present mood would certainly appreciate the saving of money and would also be happy if oil revenues made Southern Yemen less dependent on the Soviet Union, but they must still be nervous about the prospect of a decline in their financial influence in Sanaa.

If they wanted to, the Saudis could increase their subsidies to the recalcitrant northern tribes and obstruct the development of the Yemeni oil field by claiming the territory around the find.

The risk in this policy is that Saudi Arabia might deeply offend both Yemens at once. For the time being the Saudis have cautiously decided to congratulate Yemen on its good fortune.

M. F.

Strike exposed to border disputes



Oil development

AT THE BEGINNING of July this year the Hunt Oil Company announced that it had *made Yemen's first oil strike.* From the high rate of flow and the data already assembled on the size of the structure, it was realised immediately that Yemen stood a very good chance of becoming an oil exporter.

It goes without saying that oil exports would revolutionise not only the Yemeni economy but also the country's diplomatic position. They would make it independent of foreign aid, which at present comes mainly from Saudi Arabia and Russia. Given the position of the structure in the extreme east of the country, close to its borders, the find could also bring Yemen into conflict (or closer co-operation) with its neighbours, Saudi Arabia and Southern Yemen.

The find was made in a large, 12,600 sq km concession, in the area of the Marib al Jawf basin, about 70 km east of the town of Marib. It was named Alef, meaning "A," after the first letter of the country's name, Al Yemen.

The concession was granted in 1981 to Hunt Oil — the company of Ray Hunt, not Nelson Bunker Hunt, who once had a concession in Libya and has more recently become famous for his losses in the silver market in 1980-81.

Hunt Oil's contractor, the Westbourne Drilling Company of Canada, had drilled to a depth of 14,000 sq ft between January and June, but the oil flow came from two relatively shallow levels at around 5,700 ft. The initial announcement of a flow of 7,800 barrels a day (b/d) of 40° API crude was later revised to 10,000 b/d.

Since June two further wells have been drilled, the first of them 2.5 km from the original discovery. Both have struck oil though there have been no announcements to that effect. The two wells were not tested extensively, because both the Government and oil company wanted to press ahead with the work of delineating the field, but there was nothing in them which indicated that the first well had been exceptional. Westbourne Drilling is now about to start work on a fourth well, and then intends to drill a further six.

On the basis of the drillings made so far it is estimated that Alef will be able to produce a minimum of 75,000 b/d, which is more or less the threshold figure at which a field 400/500 km inland, separated from the coast by a 10,000 ft mountain range, becomes commercial.

Assuming a reasonable rate of success with the remaining deliniation wells, Alef may eventually produce 300,000 b/d or more — an enormous margin over the country's present consumption of 17,000 b/d. It is hoped that the potential of the field will be known fairly accurately by the end of next year.

The problem for Hunt and the Yemeni Government stem from the extremely remote location of Alef. The eastern Marib basin is a desolate and violent place. "It's fairly wild and woolly out there," an Englishman in Yemen remarked recently, "everybody carries two guns, even the kids." At present one of Yemen's three or four minor tribal wars is being fought near Marib.

More important, the Alef field may run into Saudi or South Yemeni territory. After drilling its second well Hunt concluded that it was on the northern end of a field which stretched to the south-east.

It asked for, and is being granted, a 7,000 sq km extension of its concession acreage, and is now preoccupied with working out how close it might be to the three countries' varying definitions of the border.

Slow progress

Even if the Alef field itself does not extend into Southern Yemeni territory, it seems that the structure in which the field is located does extend across the border. Some 60 or 70 km to the south a Russian drilling crew working for the Southern Yemeni Government has made a fairly promising find in the Shabwa district.

It is known that the Southern Yemenis are unhappy with the Russians' slow progress and it is rumoured that Hunt has talked to the Aden Government about extending its concession *across the border.*

Meanwhile it is believed that the Northern and Southern Yemeni governments in their regular talks have discussed the idea of agreeing an economic boundary, which would provide a basis for the development of oil without either party definitely giving up its rights to territory.

It is thought in Sana'a that the division of a joint oil field between the two Yemens ought to be a relatively easy process — assuming that the same presidents stay in power in both states — but that negotiations with the Saudis, in the slightly less likely event of a Yemeni-Saudi field being proven, would probably be difficult.

Unlike the Southern Yemenis the Saudis would have no need of another oil find and have some interest in seeing that Yemen does not become too independent.

At a more technical level there have begun to be discussions in government circles in Sana'a over the question of the investment required to bring the Alef field on stream.

The basic production sharing agreement, signed with Hunt when it took its acreage, stipulates that the concessionaire should provide all the capital for the development of the field, a pipeline across the mountains and a loading terminal. In return it will take *30 per cent of production for* 20 years (the normal life of a field) and will divide the remainder one-third/two-thirds between itself and the Government for good. The company will pay tax on its share at a rate of 50 per cent.

Under an entirely separate arrangement Hunt may build and operate a small refinery, but no agreement has yet been reached on this with the Yemeni Government.

Development

The capital required for the field and pipeline development is between $1bn and $2bn. This would be a lot for a relatively small company to raise on its own. Accordingly, in the spring of this year Hunt sold a 24.5 per cent interest in its concession to a consortium of Korean companies, which undertook to provide 49 per cent (double their share) of the development capital.

The Korean group is composed of Hyundai with a 10 per cent stake, the state-owned Korean Oil Development Company — 30 per cent, Sam Whan — 15 per cent, and Yukong — 65 per cent. The last of these concerns, which gives it name to the consortium, is half-owned and entirely managed by Sang Kyong. It is widely *assumed* in Sanaa that one or more of the Korean companies will be given the contract for pipelaying.

At the same time it is understood that Hunt has approached the Italian Government to discuss finance for materials — probably with a view to buying its steel pipe from Italy.

To oversee the whole process of development, the World Bank has advised the Yemeni Oil Ministry to employ an experienced foreign consultant.

Michael Field

Two concessions

THERE ARE now two concessions in Yemen: Hunt Oil, which took an inland concession in 1981 and an offshore concession in the spring of this year, and BP, which signed a concession for the coastal Tihama plain in December 1982. The concessions held by Shell, in the Salif area of the central Tihama, and by Compagnie Française des Petroles have now been relinquished.

BP has about 90 per cent of the Tihama, excluding only a small area in the south. It began seismic surveys in April and is still engaged in this work. Under its agreement with the Government it has made no down payment for its acreage and pays no rental. Any production will be shared with the state.

Hunt Oil has not yet started work on its offshore concession area. Its energies have been concentrated on its Marib concession. Here it plans to bring a second (and smaller) rig into operation in December. Its present rig may be moved northwards to a second promising structure in Wadi Jawf.

It is not thought that the Yemeni Government has plans to grant further concessions at present. Virtually all of the worthwhile acreage in the state has already been let.

Where the desert may bloom again

Marib Dam

A HUNDRED miles east of Sana'a, where the mountains of the high Yemen subside into the Empty Quarter, stands Marib, the site of one of the most remarkable monuments of the ancient world.

In the last millenium BC, Marib was one of a chain of trading stations along the caravan route from the Indian Ocean to the Mediterranean world. Skirting the desert on their way northwards through Marib to Petra and on to Gaza and Damascus, merchants made a rich living bringing frankincense and myrrh from southern Arabia to the great centres of contemporary civilisation in Syria, Egypt and Mesopotamia.

For the south Arabian kingdoms, which enjoyed a monopoly of the incense trade and which also had access by sea to the spices of India and the Far East, this commerce was the mainstay of a fabled prosperity; and Marib, capital of the kingdom of Saba, or Sheba, was among the most prosperous of all.

But Sheba possessed another asset unrivalled by its contemporaries. At Marib, where a deep channel leads out of a wide mountain basin, somewhere around 500 BC a great dam had been built which controlled the floodwaters rushing *down after the monsoon rains.*

East of the dam, in an area of some 10,000 hectares, an elaborate irrigation system allowed a population estimated at between 30,000 and 50,000 people to grow crops and fruit trees, which must have made of Marib a welcome oasis on the desert trail.

Scanty records

The historical records are *scanty and there is not much* that can be said with certainty about the Marib dam, except that it underpinned a prosperous economy which endured for a thousand years—and which collapsed abruptly with the collapse of the dam itself early in the 7th century AD.

Enough remains of the original project, however, to bear witness not only to the sophistication of its engineering, but also to the prospect that much of the ancient prosperity could be recovered, given sufficient imagination — and money.

At either side of the channel which captured the flood water the stonework is still in place. In this dry climate it has outlived the centuries and the precision of the workmanship is astonishing. From what is left of the structure the experts have deduced that this was not a storage dam but a complex system of sluices which checked and contained the water and then distributed it to the fields and orchards beyond.

In places it is still possible to make out the pattern of the original irrigation system, but the area which was once cultivated is now buried under an uneven layer of silt brought down from the mountains by centuries of rainfall.

Today there is sufficient underground water for the farmers of a few scattered villages to grow sorghum and barley; but the bulk of the flood water flows aimlessly away to lose itself in the encroaching desert.

Five years ago a scheme was put forward to restore the dam and redevelop the Marib region, now one of the poorest and most sparsely populated in the Yemen Arab Republic. A preliminary survey was carried out, on the basis of which the Government of the United Arab Emirates agreed to provide the considerable sum of money that would be required.

There were formidable obstacles to be overcome, not least the unsettled state of the country and the complete lack of modern communications. Only a decade had passed since the ending of the long civil war which followed the overthrow of the Imamate in 1961.

Before that, one of the very few Europeans to travel this way had observed that "there is no motorable track between Sana'a and Marib and the journey by mule or camel takes eight days."

It was *not surprising then,* especially with the oil-producing states feeling the draught of the world recession and the glut of oil, that the project hung fire. But two years ago, when a new highway was completed linking Marib with Sana'a and with the Yemen's only gateway for imports through the Red Sea port of Hodeidah, it began to seem a less fanciful undertaking.

The survey report was dusted off and a Turkish company was commissioned to prepare a plan for the construction.

A deadline was set for the end of July 1984 after which, if the funds were not forthcoming, the contract would lapse. By midsummer of this year, hopes were dwindling. And then, out of the blue, came a telex message at the beginning of July from Abu Dhabi.

$75m provided

Sheikh Zaid, acting through the Arab Development Fund, promised $75m for a comprehensive project which would embrace the construction of a new Marib dam and the irrigation scheme which would be dependent on it.

The new dam is to be sited five kilometres upstream from the old, where the deep wadi which channels the flood water is 700 metres wide. The dam, rock-filled and with a concrete membrane, will be 39 metres high with a depth of 6 metres.

It will have the capacity to retain 300m cubic metres of water, enough to irrigate an area twice as large as that which sustained the people of Marib in the days of the Queen of Sheba. The accumulation of silt, which is at least a metre deep and in places much more, will provide a soil of exceptional fertility for the cultivation of a wide variety of grains, vegetables and fruit trees.

The project includes a plan for an experimental farm to determine the most suitable crops and to demonstrate to farmers the best means of growing them.

All this lies in the future. At least five years must pass before the dam can be built and the plans come to fruition — and five years is a long time to look ahead in the Middle East.

For the realisation of their hopes, the government and people of the Yemen Arab Republic will need to maintain the country's internal stability and to establish a dependable relationship with their neighbours in the People's Democratic Republic of Yemen to the south.

Neither condition can be taken for granted in an area where the rivalry of the superpowers takes encouragement from local jealousies and ideological differences. But at least a positive step has been taken, and one that goes agreeably against the grain of contemporary Middle Eastern thinking, composed as it is of resignation and mistrust.

If the Marib redevelopment plan can be brought to completion, it should provide for Yemen not only an important economic benefit, but also an opportunity to rediscover in detail a past of exceptional interest which until now has remained shrouded in uncertainty.

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Michael Adams

Drive to expand workforce

Industry

THE DEVELOPMENT of industry in Yemen faces a number of obstacles: the country has few natural resources, it suffers a shortage of skilled workers, labour costs are high and the country's infrastructure is still patchy.

Yet, despite these drawbacks, Yemen's private sector is plunging into industry, and in particular large-scale projects, where the returns have proved encouraging.

Most local companies have a number of industrial projects under review, though in the last year, many of them have been obliged by the Government to look also for opportunities in the agricultural sector.

The major impetus behind the developments of the last few years has been the absence of an industrial base and the country's shortage of foreign currency. Difficulties in obtaining permission to import has encouraged entrepreneurs to look at other ways of making money, including import-substitution, a trend naturally encouraged by the Government.

Until now, the private sector has concentrated mainly on food processing, which accounts for 45 per cent of the value added in manufacturing. The state has concentrated on the cement industry, with two major plants already under way and a third planned. Production is still well short of demand which amounts to about 1m tons annually.

Target is 8.6%

Industry still only absorbs about 5 per cent of the workforce, but its contribution to GDP is rapidly rising. It is presently only 5.7 per cent, but the target for 1986 is 8.6 per cent, a figure planners think will easily be exceeded.

A recent report by the World Bank estimated that some YR 1.08bn had been invested in industry from 1976 to mid-1980, accounting for 8 per cent of the gross fixed capital formation in the economy.

Industrial growth has been fuelled in part by government legislation (embodied in Law 18, which governs foreign investment in Yemen and tax incentives to industry). Local industry has been granted a rebate of 25 per cent on duties on all imported raw materials for industry, and a tax holiday for the first five years of operation.

Foreign advisers would like to see customs duty on raw materials totally abolished enabling Yemeni industry to align with prices in the world market.

No additional rebate on taxes is given to encourage exports, and no extra incentives are made available either. Sales of manufactured goods overseas have therefore been the cream on the top of local sales. However, Yemeni companies have proved adept at extending the five-year tax holiday, by implementing minor expansionary schemes in order that a further period of relief be granted.

Soft loans

The industrial sector has been further encouraged with the soft loans available through the Industrial Bank of Yemen. Nearly 100 projects have been assisted by the bank, with cumulative disbursements amounting to YR135m.

Most of the projects assisted have been medium- and small-sized ventures, as the bank is restricted by the requirement that only 10 per cent of its capital may be extended to any one project.

The bank's chairman, Mr Abbas al Kirshy, says the Government is now considering increasing this ratio to 15 per cent so that it may become involved in large-scale industry.

The Industrial Bank of Yemen receives considerable help from foreign aid organisations such as the Kuwait Fund, the International Development Association and the UN Capital Development Fund. Mr Kirshy believes that with further use of the funds made available, the lending capacity of the bank could reach YR 60m. The bank is studying some 150 projects of which nearly 20 are at an advanced stage.

Of the 100 projects helped by the bank, some 17, or 7 per cent are in default, mainly as a result of teething problems, lack of skilled technicians and the unfamiliarity of Yemeni management with industry generally. For similar reasons a number of factories in the country are also running well below their design capacity.

The scarcity of skilled labour can easily be made up with the recruitment of foreign technicians and an increase in technical training schools. All this is under way, but in the meantime, many of the private sector companies involved in industry have turned to foreign labour to man their production lines.

Company managements point out that Yemeni labour is extremely expensive, and unused to factory discipline. Among those brought in to fill gaps are Ethiopians, Indians and nationals from the Far East.

Wage rates for Yemeni workers have increased 400 per cent since the mid-70s, largely because of the migration of nationals to the Gulf area. Yemeni wage rates in manufacturing are about 50 per cent higher than Kenya, and far higher than Korea, Turkey or India in relation to per capita GNP.

A number of employers have turned to women as a cheaper, more disciplined alternative. In one Tiazz biscuit factory 35 per cent of the payroll are women, mainly young girls of 14 to 20 years old from the nearby villages. The women in question work alongside men on the production lines—itself a minor social revolution for Yemen.

Another innovation is that qat chewing has been strictly forbidden during working hours, and in the food processing industry, wages are docked for three days if workers are discovered chewing qat.

The private sector has had to be adept in adjusting to the country's weak infrastructure. Factories have to rely on their own generators to provide electricity, and on their own water wells for water.

The national electricity and water systems still have gaps and supply is erratic. Costs are also too high, industrial managers say. Entrepreneurs are now urging the Government to establish a lower industrial rate for power and water, to provide an added incentive for manufacturers.

Expensive

Distribution of the goods is also expensive, and carefully controlled by syndicates of truck drivers. Most industry in Yemen is located in Hodeidah or Tiazz close to the ports though plants are springing up in Sana'a. Some types of plant prove unsuitable to be located at such a high altitude.

High costs make exporting extremely difficult, but nearby Saudi Arabia is one obvious market. Yemen's food processing industry has, nevertheless, found it extremely difficult to compete with the subsidised prices available to industry and consumers in the Kingdom. The more easy markets which have already been tapped are South Yemen, Djibouti, Somalia and Ethiopia.

In the domestic market local manufacturers face serious competition from low-cost Saudi goods, however. About $1bn of goods are pouring into the country illegaly over the Saudi border each year including some which are already manufactured in Yemen. Yemeni vegetable oil is 60 per cent more expensive than Saudi oil, and the same applies to other goods.

The Yemen Government has proved reluctant however to protect its industry with tariffs, except in cases where the locally-produced goods are of acceptable quality and local demand is fulfilled. However, a number of products such as mineral water are banned from importation, though as usual the border continues to prove very leaky.

Duplication

One problem the Government must tackle shortly is the tendency for entrepreneurs to duplicate each other's industrial ventures. There are now five water bottling plants, numerous soft drinks units, two vegetable oil and ghee (butter clarified to resemble oil) industries and two milk ventures.

Some are already losing money because of the duplication and some owners question whether their plants will be able to survive the unwanted competition. The planning ministry says that in future they are considering a withdrawal of incentives where a local source of supply already exists. Until such legislation becomes law, many businessmen will be encouraged to follow examples of success.

The Government may also extend its control over the prices of the food products industry. At present, soft drinks, mineral water and cement are subject to price controls, though in reality restraint is exercised on many other products.

The price of a litre of reconstituted milk manufactured in the Hodeidah plant of one processer has not been allowed to increase since 1977, and the company has suffered rapidly rising costs. The company is hoping to recoup some of these through economies of scale generated by a massive expansion.

The one cost which has eaten up the greatest amounts of profits in the past year is the series of devaluations of the Yemeni riyal. Further devaluations appear to be on the way, and the raw materials bill will increase as a result.

Kathy Evans

Top family businesses

BY FAR the largest company in the country is Hayel Saeed Anam. Founded by four brothers from a village outside Taizz, the family business was consolidated in Aden during the British era, and later transferred back to the home base in North Yemen.

The company is now run by Ali Mohammed Saeed. Under him are his sons, of whom Abdul Wasa Saeed, in charge of Sana'a operations, Abdul Gabbar Saeed, in charge of trading, and Abdul Rahman, the deputy managing director, are the most notable.

The company's Yemeni riyal turnover is around 700m, with a similar figure being contributed by their operations in Saudi Arabia. The Hayel Saeeds were the first family in Yemen to go into industry, and since 1970, some YR 300m has been invested in ventures which include a biscuits factory, a sponge and plastics unit, mineral water factory, and a ghee and soap plant.

Two more industrial plants are shortly to open, one which is capitalised at YR 50m will produce baby diapers, shampoos, face creams, and the other capitalised at YR 75m will produce milk, yoghurt and cheese. The dairy products plant will also process beans and peas. Industry now accounts for YR 450m in turnover annually for the Mayel Saeeds, with the remainder coming from trading largely in essential foodstuffs. Exports of industrial goods are estimated at YR 60m a year.

The Hayel Saeed company is rapidly becoming a fully integrated unit. The raw materials for the company's industrial plants are carried in their own shipping line, Middle East Shipping, and goods are packed in their own carton packing plant. Even their factories are constructed by Kirby Building Systems, for which Hayel Saeed is the Yemen agent. Other agencies include Rothmans (cigarettes), Shell and Unilever.

The family are also well known for their progressive record on labour. They were the first to employ women in factories, a move which attracted considerable attention from local religious leaders. They have also established a technical training institute in Taizz for 100 students, and also finance scholarships for others to study overseas.

A close but friendly rival to the Hayel Saeeds is the **Thabet** family in Hodeidah. Like their competitors in Taizz, the Thabets gained their business experience in Aden, before re-establishing themselves in Yemen. The Thabet family is headed by Abdul Wahed, who acts as chairman to the company run by seven other brothers.

Despite its YR 200m turnover, the company is operated from tiny offices in a dusty Hodeidah side street. One of the original activities of the group is shipping, and apart from being the Lloyd's agent in the port, the company also acts as the representative of some 23 shipping lines serving Hodeidah. Just a few kilometres up the road is the company's Tehama Trading Company which represents Caterpillar, Massey Ferguson, Dynapac Maskin, Nissan Datsun, Peugeot and Olympia (typewriters).

The trading side has inevitably been affected by the $1bn smuggling business over the Saudi border: buying a saloon car from the official agent can cost YR 10,000 more than buying a smuggled car. Imports of cars have been restricted to around a third of 1982's sales. Thabets estimate that they are selling only a fifth of the Peugeots which are arriving with the remainder coming in unofficially.

Their Caterpillar business is handicapped by the fact that the public highway authority also acts as the main agent for the rival Komatsu company, but nevertheless Caterpillar equipment can be sold to local development associations.

The Thabet Brothers' industrial activities are also undergoing expansion. Their dairy plant is now being expanded from 100,000 litres daily of milk to five times that level. The company is also venturing into the production of vegetable oil and ghee at a total cost of YR 89m part of which has been financed by the International Finance Corporation. The institution provided some SwFr 10m over a seven-year period, and the Thabets have been the only private sector company to have benefited from an aid organisation.

The **Adhbans** in Yemen are in trading and tractors for which this family originating from Marib have the main agencies. They are the local representatives of a number of Western companies including Marshalls, the UK tractor manufacturer, Mitsubishi Motors, the Renault group of France and its U.S. associate Mack Trucks. Adhbans estimate that with their nine city branches and 15 sub-dealers they have 70 per cent of the tractor business in the country.

Adhbans, other agencies include ICI, the UK chemicals group, Olivetti, the Italian electronics manufacturer, Kelvinator, of the U.S., Chubb Fire Export, of Britain, Dexion, the UK handling systems specialist, and through their Halal Shipping Company (Yemen) Limited, four major shipping lines. The group's next ventures will be in the agricultural sector and the company is now buying land in Marib with a view to a sheep breeding project.

The company vice-chairman is Hajj Hussein Adhban but foreign visitors are more likely to be received in the first instance by the company's English-speaking Sudanese manager, Mubarak Logman. The group's turnover is estimated to be $50m annually.

Shaher Trading is another major Yemeni company, whose senior executive, Hayal Abdul Hak, is to be found in a small suite of offices in the Taj Sheba hotel in Sana'a, of which the company is the majority owner. Shaher Trading is the major sugar importer in Yemen, though it has other interests in banks, a Seven-Up soft drink bottling plant, juice factories and a bleach manufacturing unit.

Shaher Trading is presently conducting feasibility studies on five other new industries in consumer goods. The group's overall performance is, however, affected by a Eurodollar loan taken out to finance the construction of the Taj Sheba hotel and the difficulties of the soft drinks plant in facing the competition from the Canada Dry Cola, Yemen's top selling drink.

The group also involves itself in futures trading in foreign commodities exchanges. Turnover of Shaher Trading in Yemen (excluding futures trading) is estimated to be $200m, which includes the company's activities in Egypt.

The **Mutahar Motor Engineering Company** is run by the family of Abdulelah Saeed and Abdulwahed Mutahar Saeed, from the Taizz region. The company is the agent for several Italian firms such as Fiat (motor cars and trucks), and Landini (tractors). The Mutahars also have interests in a mineral water factory, a contractors known as YCon, and the group's annual turnover is estimated at around YR 20m this year, compared with YR 30m last year.

K.E.

Ignorance puts children at risk

Health

SEVEN-YEAR-OLD Kadriya sits quietly on the table, her legs dangling, her eyes betraying her fear of the foreign doctor who is peering at the cold sore on her face. With her long dress, pantaloons, and headscarf, her thinness is not immediately noticeable. Kadriya weighs 12 kilos.

Nobody appears shocked or disturbed at the sight of her matchstick arms, for in the Taizz clinic of the Swedish Save the Children Fund, Kadriya is just one of hundreds of undernourished children who flow through the doors daily.

She comes from a mountain family, a daughter to a small trader who chews qat daily, just one child in a family of two wives and 21 other children. The nurses believe that somehow Kadriya just got overlooked at mealtimes, or was fed biscuits and sweets to quieten her. By now, she is probably brain-damaged by such a diet.

Kadriya is a typical victim of the kind of health problems which pervade the Yemen. Ignorance, rather than poverty, is causing the country to have one of the worst track records in the world in infant mortality, for one quarter of all children die before the age of five in Yemen. That puts the country above Bangladesh, but about on a par with Upper Volta, which has a per capita income one-fifth as high as Yemen.

Doctors blame bottle feeding as the main killer of children. The switch from breast feeding to powdered milk in a country where only 23 per cent of the population have access to safe water, and mothers are unable to read the instructions on the tin, is the single largest cause of infant deaths. Babies die from dehydration and diarrhoea.

Foreign doctors working in the country are drawing up a list of anti-diarrhoea drugs that they want to see banned from sale in the country, for too many local practitioners are handing them out to mothers. The drugs stop the diarrhoea, but the child dies of dehydration.

A glance into the emergency ward in the children's clinic in Taizz highlights the many other health hazards. A number have tuberculosis, malaria, measles, hepatitis—some babies come in with a combination of several illnesses at once. Just a few kilometres, away at Ibb, nearly all the women visiting a clinic have anaemia, caused by too many children in too few years. Even the smallest Yemeni family has five children, and families of over ten are not unusual.

Yemen it would seem has some overwhelming health problems. Despite this, many of the foreign aid organisations are throwing up their hands in despair and packing their bags. The British Save the Children Fund recently left, a World Bank team of experts gave up after a year, and the Americans are all but admitting failure on attempts to get a family planning clinic going.

All were defeated by the ever-thickening jungle of Yemeni bureaucracy, and a rising tide of misunderstanding between the aid organisations and the Government.

Only the most patient foreign advisers can cope with the growing inertia to be found at the health ministry, say aid officials. Like many other ministries in Yemen, the ministry has a handful of talented officials at the top and a sparsity of trained administrators to carry out decisions.

While recognising that such a predicament is characteristic of many lesser developed countries, foreign experts add that not only is the situation particularly bad at the health ministry, but that the department is staffed by trained doctors who make more money outside their official work at their private clinics.

In other words, says advisers, the interests of the officials working there may not necessarily coincide with the interests of the public health sector.

It now appears that the Government has recognised the situation, and the planning ministry say that legislation is before Parliament which will privatise the health sector. Fatehy Salem Albaydany, deputy planning minister says that such a move will ease the burden on the health service. He adds that the legislation will in no way affect the revolution's pledge in the national charter to provide free health services for the Yemeni people.

"Our promise still stands, but now there will be a choice for the people," explains Albaydany. The Government realises that such a system may lead to a two-tier medical system (one good service for well-off Yemenis run by the private sector and another for the rest).

Some of the foreign advisers in the health sector recognise that in a relatively low income country like Yemen, there may be dangers in moves to privatise health treatment. However, they add that most Yemenis believe that the more you pay for a doctor or for medicine, then the more effective it must be.

It is a national trait which has been nurtured by some of the more unscrupulous doctors working in Yemen, and now a Yemeni is not satisfied until he walks out of a doctor's surgery with a long list of medicines, the more expensive the better.

Kathy Evans

In the ward of a hospital at Saada, near the Saudi frontier. It is one of the two or three best-equipped in Yemen and was built by the Yemeni Government but is run on a grant from the Saudi Government. The company is a private Saudi concern, Saudi Medical Services, which employs British and American staff

Why a raincoat is a symbol of freedom

Women

AN INTRIGUING government publication entitled "Women and Development in the Yemen Arab Republic" carries a photograph of a woman walking behind her husband carrying a petrol drum on her head. The caption underneath reads "Women, donkeys and low-status men can frequently be seen carrying imported objects like televisions and generators up the mountains."

Atika Ashami, an official of Yemen's fledging womens' movement, says the Government's attitude towards women is not quite as bad as that. In theory, the constitution guarantees many women's rights, though there are some notable gaps.

There is no minimum age for marriage, no legal protection is given to girls being forced into an unwanted union, and working hours are restricted by law. But constitutional law holds little sway in most areas of Yemen however, and tribal traditions and the need for a flawless track record on one's honour, are still the strongest laws controlling the development of Yemeni women.

Ironically, it is the city women who suffer these traditions the most, for in Yemen there seems to be a direct correlation between one's wealth and one's attitude to women. The wealthier you are, the more you must seclude your women as a symbol of your wealth.

The women of Sana'a are well-known therefore for the "sharshaf," a black outfit covering the face, legs and arms. Rural women are in contrast unveiled, and in certain areas in the high mountain villages, the societies are almost matriarchal.

In a society where it is common for girls to marry at the onset of puberty, and the literacy rate is only 2 per cent among women, the women's movement would seem to have its work cut out. However, even before the movement has managed to have any effect, it has been taken over by the Islamic fundamentalists.

Atika Ashami (herself a former president), says the take-over of the movement by the fundamentalists is not in reality affecting its work. Because they do not believe in having an active, pushy movement, the other members are able to ignore them and carry on as usual.

The struggle to abandon the veil has led to peculiar dress codes among the younger, educated women. Most wear a raincoat and a headscarf as the modern alternative to the veil. The raincoat is worn even through the hot summer months, and has now assumed the status of a symbol of that very distant goal of independence, and freedom.

K. E.

Big business in a national drug

Qat

EVERY MORNING at about 11.30, Yemenis can be seen wending their way home clutching what looks like a bundle of privet hedge wrapped in polythene.

These bundles of green leaves are qat, a mildly narcotic leaf which most Yemenis consume on a daily basis for its stimulating effects. Qat is on sale in every village and town in the country, and by lunchtime the qat souks are doing a roaring trade as customers come to haggle over their daily ration.

At the weekend, extra police have to be brought in to control the traffic jams. Frequently the police are chewing qat themselves, and the result is an even greater degree of pandemonium than usual in Yemen.

Qat is Yemen's biggest business and its greatest national problem. No government has the courage to ban it or even restrict its cultivation and sale. The government does not even consider qat to be a problem.

That, Yemenis declare, is a Western perception of their daily habit.

State officials will, in fact, spend time extolling the virtues of the leaf, pointing out the air of social equality which prevails at a qat session, the financial benefits it reaps for the rural areas, and the industriousness of workers after a few hours of chewing the leaf.

Above all, they deny that qat is a narcotic. "It's somewhere between a cigarette and marijuana," explains one government minister.

Qat chewing in Yemen usually starts in the early afternoon continues until evening and beyond. It can take four hours for the stimulating effect to become apparent, and it results in insomnnia, mild depression, loss of appetite and lowered sexual drive. But in the words of one Yemeni "In the meantime, it makes you feel like a king."

In spite of the praises from government officials about their own use of qat, all are defensive about it with foreigners. Yemenis who abstain are viewed with suspicion and are usually socially ostracised. "If you don't chew, it is difficult to become a member of any social group," explains a U.S.-educated university professor in Sana'a.

The habit prevails among the highest officials and many government decisions are taken at qat sessions. Commercial relationships and agreements are forged during such meetings, disputes resolved and friendships created. Non-chewers are unwelcome.

Qat chewing was introduced into Yemen from Ethiopia six centuries ago, and it is a growing habit. As more Yemenis become rich with money sent from Saudi Arabia, the demand for the leaf increases. Average expenditure on qat is around YR 180 ($14) a day, though on special occasions such as the Eid holidays, users will opt for de luxe varieties known as Balladi or Ma'bashee, which can cost more than YR 1000.

$1bn a year

At the farm level, qat earns about $1bn a year, and including transport the crop is worth $1.2bn. One official estimated that about $7m a day is spent on the leaf by Yemenis.

It is the country's biggest business and its most efficient, for qat has to be sold within hours of cutting, and hence the distribution system to the towns is much more developed than for any other crop.

Qat is also attracting new users. Ten years ago, it was rare for women to chew the leaf, but to-day qat sessions are common among women's circles. Students, too, are taking up the habit, and university teachers complain that many arrive for examination chewing qat. Students, like most Yemenis, believe that qat helps focus the mind and aids concentration. Sana's university has not banned the use of qat, though qat sellers are discouraged.

The Arab League's Agricultural Development Fund found that some half a million Yemenis live off the proceeds of qat cultivation. Between 41,000 to 47,000 hectares are given over to the crop, including some of the best land in the country.

A journey through the mountainous areas reveals how dominant qat is becoming, for entire villages are making their living off the leaf. Coffee cultivation has been virtually wiped out, as high quality qat can yield up to YR 100,000 a hectare and only a certain variety of grapes can match this in some areas. Qat also produces about two to five harvests a year, far more than any other cash crops.

Foreign experts say that frequently even the most modest qat farmers can earn about $30,000 to $40,000 a year and frequently have all the trimmings of a comfortable life such as cars, videos, and medical check-ups in London.

The government appears to have done little to discourage this growth in qat farming, apart from the ban on loans from the Agricultural Bank for qat cultivation. Experts say, however, that there is little checking up where the loans are going.

Officials say, that in many instances cultivation of qat finances other agricultural developments such as drilling of wells, installation of pumps and growing of less lucrative but needed crops such as cereals. They also emphasise the enormous recycling effect of qat funds from the cities to the villages.

The government benefits through taxes on qat. Some YR 150m is raised annually from a 10 per cent tax, though officials are talking of raising this to 25 per cent. Those close to the business say that this would merely discourage distributors from using the main roads where the taxes are extracted at road checks.

Officials believe there are more economic pluses than minuses. While qat absorbs a large part of a Yemini's disposable income it brings enormous wealth to the mountain villages and rural areas, they say.

Foreign nutritionists working in Yemen disagree, pointing out that with so much income going on qat, less is spent on food. Qat chewers also rarely take an evening meal because of its depressing effect on appetite. Frequently this means that children also do not receive a full meal.

Doctors also suspect that qat causes stomach cancer, certainly constipation, and depression. Many Yeminis also attempt to overcome the insomnniac effects of qat by drinking whisky, and alcoholic consumption is on the increase.

While qat plays such an important role in the Yemini social tradition, there appears little likelihood of any change in government policy. "We respect our people and their individuality and would never ban qat," one official said.

Restrictions urged

Neither does the habit seem to bother local groups of Islamic fundamentalists. They deny that qat changes the mind, and is therefore unlike wine or hashish which are intoxicants, banned by the Koran. Qat sellers are frequently seen outside mosques.

Yemini sociologists are urging that the sale of qat is restricted to certain days and banned from government offices. But there would have to be a public campaign through the schools and television, and before that could happen the government must decide that qat, in the long term, is financially and socially harmful.

Help is coming from an unexpected source—the private sector. Many offices and factories forbid employees to chew qat in the afternoon. But there appears little hope of any follow up from the government, and ministers who discuss the limitation of the qat business can find themselves out of power.

Even those who discuss with foreigners the eradication or limitation of the crop are usually to be found in a qat session by the afternoon.

K. E.

It's nearly lunchtime in the Sana'a souk where enough qat has been bought to satisfy several people for the afternoon. Only the tender leaves near the tip of each cutting are chewed

Handful of companies dominate

Trading houses

THE YEMENI merchant community is dominated by half a dozen major companies whose size is comparable to those in any of the oil rich regions of Arabia. Yemeni companies have grown largely as a result of their own initiatives, particularly on the industrial side, and have not been able to rely heavily on trading and burgeoning government budgets.

Representation of foreign companies does not therefore underpin the main Yemeni businesses. Indeed, many question the value of agency representation when more than 50 per cent of all imports arrive in the country unofficially, smuggled over the Saudi Arabian border.

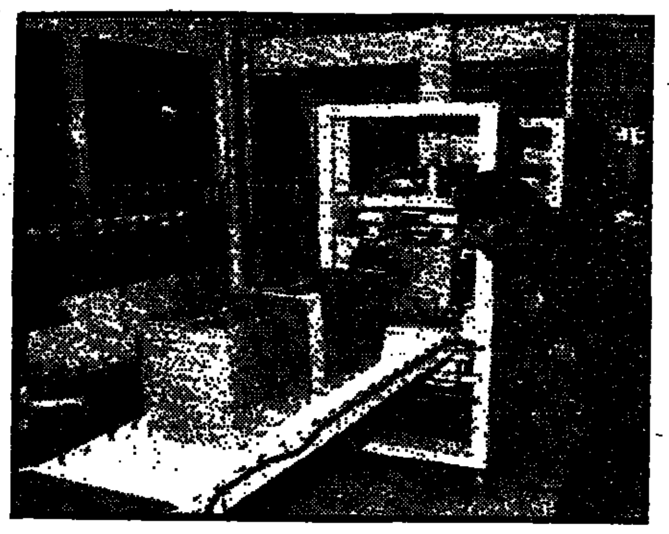
The merchant houses have not made the bulk of their money from cars, electronics and other consumer goods which form the bulk of sales for so many Gulf companies. Yemen is still a poor market with an estimated per capita income of $1,200 per annum, although it has at least 6m residents. The trading or manufacture of foodstuff's is the basis of most major concerns in Yemen.

Curtailed

The trading profile of the private sector was drastically curtailed in 1983 when import restrictions were introduced by the Yemen Government. Demand for consumer luxuries fed by cash remittances from the Gulf was getting out of hand. In consequence, imports were restricted to military equipment foodstuffs, raw materials for industry, and capital goods.

The shortage of foreign currency available for imports at the same time has obliged many companies to turn to industry as their revenue base.

By and large, the switch has been highly successful, though in some cases there have been teething problems and much duplication of projects. There are, for example, five mineral water plants, and there will soon be two milk processing companies, and two vegetable oil factories. Not surprisingly, some of the companies have turned to exports. Trade links with South Yemen are becoming more and more active, and Djbouti, Somalia and Ethiopia are now being eyed as prospective markets.



CHRISTINE OSBORNE

Technical training in the checking of packaged mineral water at a bottling plant in Sana'a

The Yemeni business community, however, does have a top-heavy structure, with half a dozen companies far outranking the others in turnover. This dominance has created problems in relations with the Government. Officials emphasise their commitment to free enterprise and the beneficial role the private sector has to play in the development of Yemen, but nevertheless, the major companies have found themselves under pressure to develop along lines which the state considers to be in the national interest.

The companies are already "under control," they say, through the import quota system, but in the last year all the major companies have also been obliged to turn to agricultural projects. Such ventures offer a far less certain rate of return and can frequently involve high capital outlays, far greater than is needed for industrial projects.

The dominance of a handful of companies in the private sector has inevitably led to some resentment among smaller competitors. To ward off jealousy, many of the new industrial projects have been undertaken by merchants clubbing together.

Liquidity

The invitations to invest have been circulated to only a small group of people, and little thought has yet been given either by the private sector, or by the Government, to mopping up the enormous liquidity which exists in private hands through the formation of public companies.

So far, the welcome to the investing public has been strictly limited but many senior family executives are aware of the dangers of the "evil eye" of jealousy and are anxious to spread prosperity. The Government, too, shares the view that the "apples have to be shared around a bit more" in the words of one planning ministry official. There were hints, however, that this might be done through the awarding of contracts to lesser known business.

The major companies are beginning to follow with their Gulf counterparts by recruiting Western managers, and Asians are already a familiar sight in the lower levels of administration. Foreign labour has even crept into the factories. Overseas workers are cheaper and often harder working than Yemenis, say company managements.

Large or small, all are looking forward to the rewards that will come from the oil strike and the boom that is hoped will accompany it. Land values have already risen 50 per cent in the six months since the announcement, though few companies are yet considering property developments or even new offices for themselves.

Yemeni companies are still, like the people, very modest in personal styles, and headquarters of firms with turnovers of over several hundred million dollars are still run from small offices. Only three of the big houses have overseas offices, all of them in London, and apart from private residential property, foreign investment interests are few.

A corporate tax structure exists but Yemeni companies are allowed the luxury of self-assessment. Only a handful of the concerns are audited, and most owners carry the figures in their head.

The greatest problem the Yemeni private sector faces in future is the uncertain value of the riyal. A series of devaluations last year does not appear to have solved the problem of the diverging rates between official prices for the dollar and the free market rate. Planning in such an environment is hazardous, and most bankers in the country say that the problem for most Yemeni companies is to get through the next one to two years. After that, the oil boom, perhaps, will take care of the future, they hope.

Kathy Evans

The country's real business

Agriculture

AGRICULTURE is the real business of Yemen: farming absorbs more than 85 per cent of the labour force and in spite of the medieval techniques in use, it can be a profitable business in many parts of the country.

Yet, the contribution it could make to Yemen's development could be made greater and major efforts are under way by the Government to improve the performance of the sector.

Yemen is one of the most intensively farmed countries in the world. At times it seems as if every square inch is planted: fields of sorghum, wheat and vegetables are everywhere, perched on mountain terraces and by the road sides. Every nook and cranny is used and most fields appear no bigger than the average living room.

Success depends largely on location, for the terrain varies from rugged mountains to lush rolling meadows, beaches, palm trees and sand dunes.

In the Tihama region which is dominated by desert, rainfall in the last two years has been about the same as Ethiopia's. The result is a grinding poverty. Farming families have, however, been cushioned from the impact of the drought by cash sent from relatives and husbands in Saudi Arabia.

About 1.5m Yemenis have left the country to work elsewhere, mainly in the Gulf and m came from the countryside. That exodus has decreased the land under cultivation from 1.5m to around 1.3m hectares. The amount of land being abandoned is beginning to concern the authorities.

Work on the farms is increasingly being done by women and day labourers, but with wages for labour up more than tenfold in 10 years, costs have risen sharply. This has caused many farmers to turn to cash crops such as vegetables, fruits and lucrative cereals.

In the mountains, most have turned to qat, which offers the highest rewards of all.

A successful agricultural sector is vital to Yemen's balance of payments. A recent U.S. study showed that in 1981, some $518m was spent on food imports compared with $988m in foreign currency sent home by overseas workers. Assuming a birth rate of 3 per cent, this inflow will soon be totally absorbed by food imports, and by the year 2,000 Yemen is projected to face a food deficit of $262m.

Yemen is importing about 500,000 tons of wheat annually, making up a large part of the food brought in. This foreign wheat is much cheaper than home produce—three riyals a kilo compared with five riyals a kilo for Yemeni wheat. Sorghum is the most favoured staple in Yemen, and that costs even more—about seven riyals a kilo.

Rising costs have led to stabilisation in the amount of land given to cereals, so the government is trying to cater for the increase in demand by improving yields. The Food and Agricultural Organisation and other aid groups are experimenting to improve varieties grown, but the greater they make harvests the more water is needed to irrigate the crops.

Cultivation of fruit received an enormous boost with the government's decision last year to ban imports. Yemeni farmers could not compete with these cheap products.

Fruit prices are still high —grapes are YR 20 to YR 25 a kilo—more than in London. Officials say the price of fruit will come down when trees planted after the ban begin to bear crops within two years. This will be amplified with the commissioning of the many private sector projects being initiated by major companies.

The main companies in Yemen have been under pressure from the government to invest in agribusiness. Most projects are still at the feasibility stage, with consulting companies and agriculturalists investigating suitable crops. One company has employed experts in growing bananas, while other companies are looking at dairy farming, sheep breeding, large-scale wheat farming, and greenhouse tomatoes.

Under pressure

The main item on their investment bill would be purchase of land, for values have soared with the inflow of expatriates' money. Sorting out who owns land has also taken years, as it is still not being officially registered.

Such projects are very much in the future. The reality of Yemeni farming is that more than 55 per cent of farmers own less than one hectare. The average farmer will also own 1.7 cattle, 5.7 sheep and four chickens, say government statistics.

With such small average holdings, farm mechanisation is an impractical dream for most farmers. Owning a tractor confers enormous status, however and many have been persuaded to buy unsuitable machines by tractor dealers and agents.

Many buy tractors which are too powerful, and receive little training in use or maintenance. The result has been soil erosion in a number of areas.

Nevertheless, foreign experts working in the agricultural sector are full of praise for the adaptability, skill and enthusiasm of Yemeni farmers. One of the main hindrances to increased efficiency is the fierce independence of these men and the obsession with land and its water rights.

Land and water

More guns are pulled over disputes involving land and water than almost anything else in Yemen. This is hardly surprising considering that a large part of the land in the country is rain-fed, and water has to be used sparingly.

Such considerations have to be carefully handled in areas like the Tihama, where multi-million-dollar projects are underway to make more efficient use of mountain springs. Water rights within a farming village community were worked out generations ago and any adjustment, for no matter what laudable reason, can affect a farmer's status in the society. Officials of the Tihama Development Authority are having to tread carefully in the wadi communities.

The Tihama area is fed by seven main wadis, two of which have been the focus of attention for 10 years. The aim is to spread water more usefully through permanent diversions, channels and small dams. Enormous sums of money are coming from the World Bank, International Development Association, and the Arab funds. Capital expenditure on Wadi Mawr this year alone is expected to reach YR 400m.

The best of the country's farming is in the mountainous areas which enjoy high rainfall. Here Yemen's famous Mocha coffee—much favoured by the Victorians — was grown, although exports have dwindled to a trickle.

Some effort is underway to provide farmers still willing to risk growing coffee with some half-grown plants, but coffee is still a crop which can be harvested only every four years. Qat, on the other hand, is a much more profitable crop, providing several harvests a year.

Agriculturalists are becoming concerned that the best land in Yemen is being given over to the cultivation of qat. Little effort is made by the government to convince farmers not to grow this highly lucrative crop, although loans are not available from the Agricultural Bank for its cultivation.

The truth is, however, that qat has wiped out coffee. Officials say coffee is being kept up for reasons of historical heritage, but that its decline as a crop is inevitable.

K. E.

Contractors need to be street-wise

DOING BUSINESS in Yemen today or bidding on government contracts is reminiscent of conditions which prevailed in the Gulf ten years ago. The cheapest price does not necessarily ensure success—only the right agent can help do that.

Hence the choice of agent is the most important decision any company entering the market can make. Once made, it is virtually impossible to unravel, the only chance of doing so is to put a time limitation on the original agency agreement.

The final choice of agent will depend largely on the field of activity, for certain agents specialise in certain sectors and are known for their access to the appropriate government departments and officials. Few have access to all, apart from the major Yemeni companies.

Foreign businessmen resident in Sana'a advise that if a Western firm is bidding on a major government project, then a large Yemeni company is more suitable. The smaller the contract, the less interested a large company will be in tracking down the business.

Yemen can also be a risky market. One British contractor faced losses of £16m on a contract of £8m. It had underestimated the difficulties of local procedures such as securing planning permissions, and visas.

The land ownership issue has hindered many major projects in Yemen, for each time the Government makes use of a tract of land, a dozen different claimants each with ownership papers spring from nowhere. Transport can be a hefty expense also, because it costs more to freight cargo from Hodeidah to Sana'a than from Northern European ports to Hodeidah.

There are also four separate taxes on imports into Yemen, one of the largest being customs duty, then there is defence tax, statistics tax and an earthquake relief tax, some of which are calculated at artificial rates of exchange.

Dealing with Yemen's young bureaucracy can also be time-consuming and expensive. The country has a desperate shortage of medium-level administrators, all of whom are vastly underpaid. The legal system is in its early days, and in disputes involving foreigners blame may be turned on the foreigner for not having sufficiently allowed for their inexperience.

On the construction side, the competition is generating very low bids, and a Western company will find itself up against "conscript" prices put in by the Far Eastern groups. The Chinese organisations have been particularly successful, and where once roads were built as part of an aid package, today they are being built by Chinese commercial organisations.

Doing business

Even so, the Koreans have been quick to react to the Chinese competition.

Nevertheless, the Yemen Government has expressed concern that their major projects are not attracting a wide range of international bids. On a recent road project for example, 19 companies were invited to bid, but only three chose to do so. Those three were the only remaining groups who were not already in dispute with the Yemen Government.

The planning ministry recently sent questionnaires out to contractors and embassies requesting how tendering procedures could be improved, but the response was limited and studiously polite. The only result of that Government initiative so far is an improvement in the media chosen to publicise the tenders and a lengthening in the time allowed to bid. Even so, some agents can secure documents as much as a month before the tender is published.

As one foreign official concluded: "Yemen is not a contractors' paradise, by any means. You have to be street-wise here, but if you are, you can do well. It is not as bad as Nigeria."

The opportunities for work are considerable, though. Many of the major projects on the drawing board are partially financed by international or bilateral aid organisations, and frequently the nation supplying the financing will determine the contractors' nationality.

Among those projects awaiting finance are a water supply system in a rural area, sewage and water systems for two cities, road projects, and petroleum storage and distribution networks. A major port expansion is planned at Salef, north of Hodeidah, and the oil discovery of course promises a veritable bonanza of projects to implement production.

Britain has so far notched up 5 per cent of the Yemen market, doing particularly well in fields which have been given attention, such as cigarettes and pharmaceuticals. There are, however, a considerable number of joint ventures between British and Yemeni companies on industrial projects, and Britain provides a large part of the raw materials. Nevertheless, trade officials are full of complaints about the lack of attention UK companies are giving the Yemen market, even when continually prompted by local companies wishing to represent them.

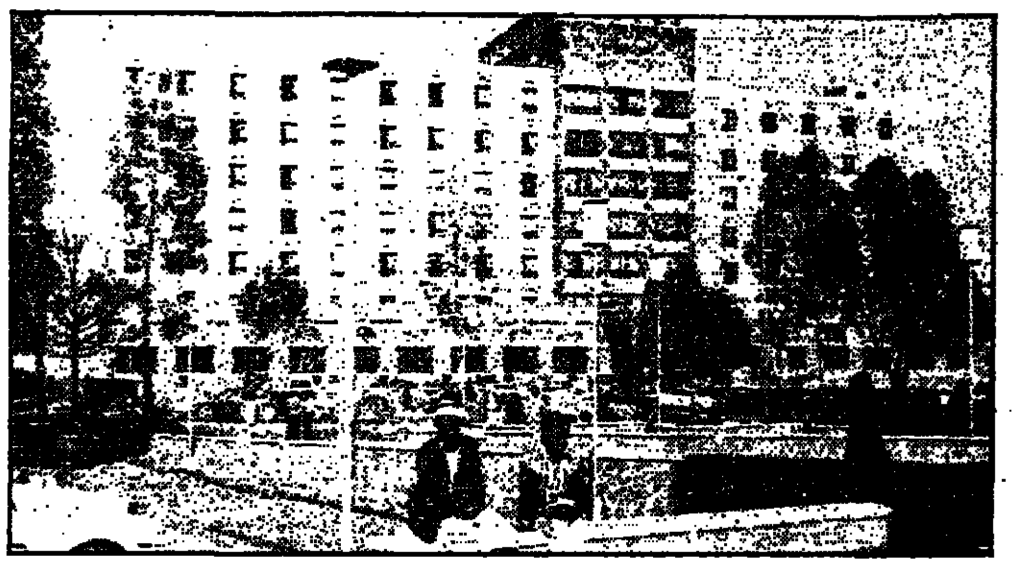
At times, there have been gaps of several years between the time the original inquiry is put to a British company by a local agent, and frequently leads are not pursued.

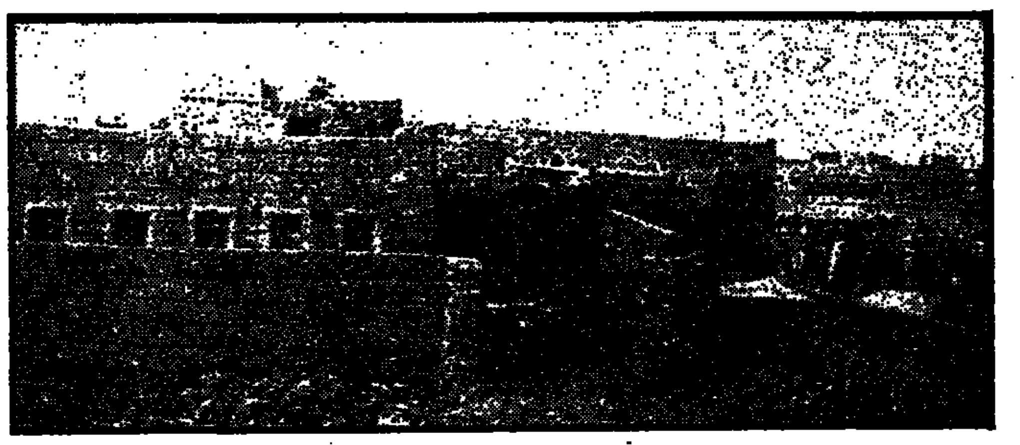
Officially British exports totalled £56m in 1983, but with the goods coming in from Saudi Arabia illegally this figure could be much more. At present the market is dominated by Japan ($200m last year) followed by Hong Kong, Taiwan, Singapore, South Korea and the Peoples' Republic of China.

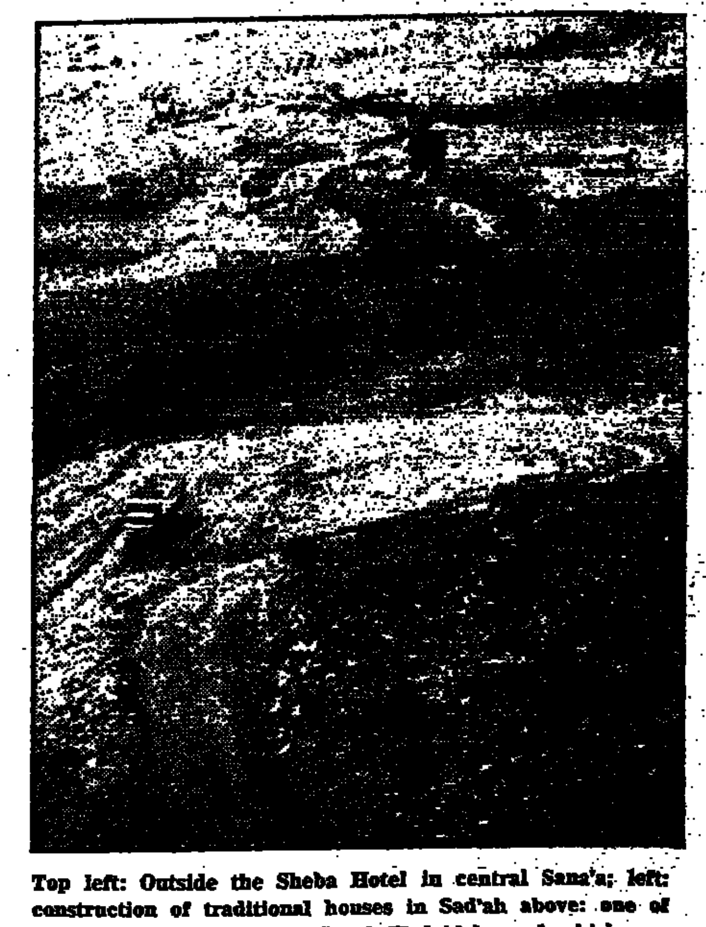
Principal successful contracting countries have been France in telecommunications, Italy in the field of power generation, South Korea in electricity transmission and the Chinese and Koreans in roads and general construction. However, as the number of projects dwindle in the Gulf area, a number of Turkish, Indian and Pakistani contractors are also moving in.

The Marib dam project is for example being undertaken by a Turkish company. The prospects for Western companies depend largely on the aid and export credits made available to Yemen by their governments.

Kathy Evans







Top left: Outside the Sheba Hotel in central Sana'a; left: construction of traditional houses in Sad'ah above: one of the hairpin bends on the Sana'a-Hodeidah road which was built by the Chinese.

Patience and ability to laugh pay dividends

REGULAR visitors to the Middle East coming for the first time to Yemen must be equipped with inexhaustible patience, and the ability to laugh when all goes wrong—which it frequently does in Yemen.

TELEPHONES

Even the most elementary business task of telephoning can be an uphill struggle. There is no telephone directory yet for the country and numbers are difficult to obtain. The best source for numbers — both private sector, government and diplomatic—is the telephone operator at the Taj Sheba hotel.

Even if you manage to secure a contact's business card with their phone number there may still be difficulties, for numbers constantly change. Many companies have not yet reached that summit of efficiency of having their telephone answered at all times.

TAXIS

Taxis can be relatively cheap in Sana'a—journeys around the capital cost about YR 10 to YR 20 a time—but it may be necessary to speak Arabic and know where you're going. Otherwise, visitors are in the hands of the vultures who lurk outside the first class hotels in the capital, and daily rates for these gentlemen, some of whom speak English, can run to YR 400.

The streets in Sana'a are such a jumbled mess of roadworks and potholes, that the best car to get round in is a four-wheel drive. Streets are constantly being closed off on the instant decision of a Chinese construction supervisor, so that even residents get irritated at the continually changing diversions. Maps, therefore, usually accompany dinner party invitations.

HOTELS

Hotels are expensive in Yemen, $60 to $80 a night, and outside of Sana'a, the number of stars dwindles drastically.

The best is the Taj Sheba which is located in the centre of the capital. Its lobby is constantly buzzing with both business visitors and tourists and, for local residents, the hotel is the main social centre. The food is mediocre, the bar an expensive but gloomy retreat, but on Saturday nights, the main ballroom is crammed with a mixture of nationalities coming for the weekly cabaret of can-can dancing performed by English go-go dancers.

The Sheraton, in contrast, is a little way out of town, isolated but quiet. Its staff are mainly from the Philippines and India; its buffet is the best in town, though on the à la carte menu many items appear to be "off."

Outside Sana'a, hotels can be a test of the visitor's inner spiritual strength and resources. Taizz and Hodeidah cannot really be avoided, however, for they are the headquarters of some of Yemen's largest companies.

In Taizz there is the Marib Hotel, and in Hodeidah the Ambassador, but if friends or business contacts are kind enough to offer private accommodation, leap at the chance. Two or three nights in the above hotels can be a telling experience—hence the description of Yemen as an "adventure tourism destination."

However, Taizz is one of the most picturesque cities in Yemen, certainly the country's cleanest, and the surrounding countryside the most beautiful in all Arabia.

TRAVEL

Driving around Yemen can be a spectacular but hazardous experience. The journey from Sana'a to Taizz varies from rolling hills to mountain passes with thousand-foot drops just inches from the road. The Red Sea coast, in contrast, is a land of balmy palm trees, papayas and white beaches.

Mocha beach, says a guide book, "was once a beautiful beach, although it has changed now as it is a base for Sam missiles."

The turning to Mocha on the Hodeidah highway is where motorists will be flagged down by hordes of flying salesmen on motorbikes. These are the mobile whisky peddlars who make a living selling alcohol which has been smuggled in from Djibouti. But beware, there are Government road blocks ahead.

The last road on the triangle, between Hodeidah and the capital, is a monument to Chinese engineering, and a graveyard to those unfamiliar with Yemeni driving habits. The four-hour journey is a series of heart-stopping Z-bends and thousand-foot drops.

It is more safely accomplished in the morning before the lunch-time hour when most Yemenis begin scouting for their daily qat ration. Unfortunately, qat is sold in all the mountain villages on the way, and few drivers are able to resist the temptation. For the less courageous however, there is always the plane.